SPECIAL ISSUE

Businessworld

www.businessworld.in 4 FEBRUARY 2008 SUBSCRIBER COPY NOT FOR RESALE

CHAOS & ARNAGE

aking sense
the mayhem
Dalal Street
E 28

a's
dacious
ove PAGE 24

ployment
arantee in
ers PAGE 26

BW SALARY SURVEY 2008

16

India's most comprehensive compensation survey, covering salaries, benefits and HR costs across 12 sectors

INDIA'S No. 1 BUSINESS MAGAZINE
MOST READ
MOST SOLD

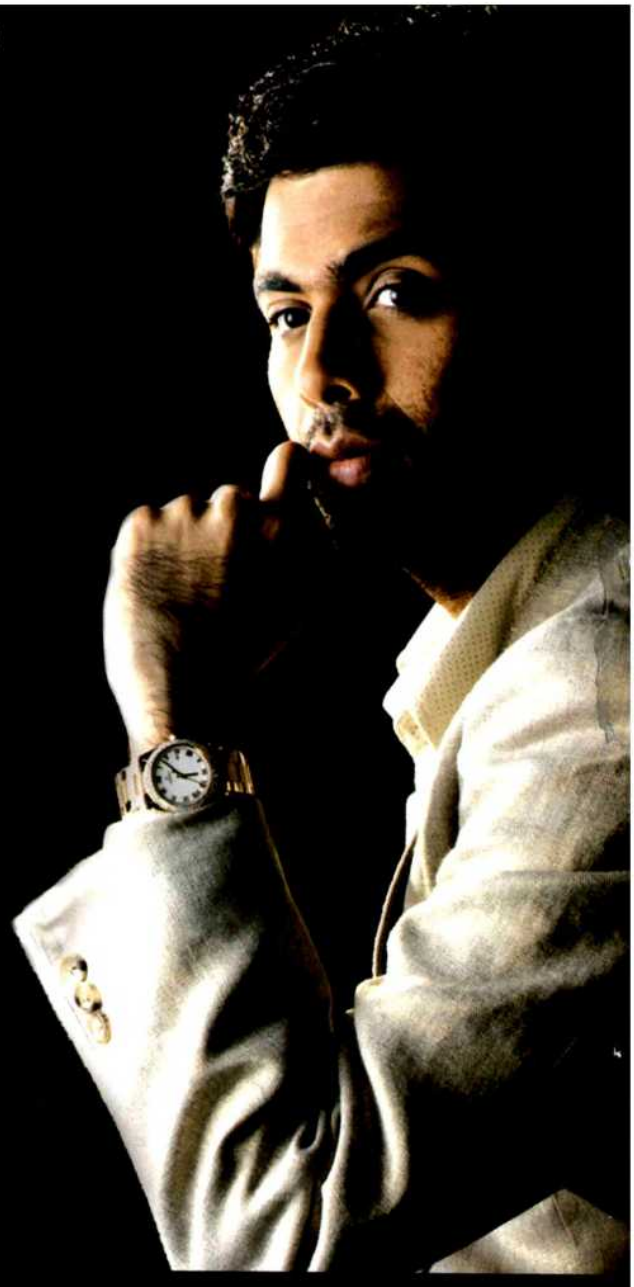
What's in a name?

Well pretty much everything.

Karan Johar

Film-maker, entrepreneur

Every success story begins with a name and therefore anything that tags along has to be priceless. Seen here, Karan Johar in the company of Timond.



DIAMOND & GOLD series

18k Solid Gold Classic Tycoon

HIGHER. | TIMOND

Precious Precision

Ahmedabad: The Golden Time (079) 2644 2802 **Bangalore:** C.Krishniah Chetty & Sons (Commercial Street) (080) 2558 8731 **Baroda:** C.H.Jewellers (Alkapuri) (0265) 398 3500 **Chennai:** GRT, New Showroom (Coats Road,N.Usman Road) (044) 2346 1515, Nathella Sampathu Jewellers (Anna Nagar) (044) 2626 7600 Nathella Sampathu Jewellers (T.Nagar) (044) 2436 0050, Vummidi Bangaru Jewellers (Anna Salai) (044) 2829 2004 N.A.C & Sons (044) 4399 6666 **Delhi:** Bhola Sons Jewellers (Karol Baugh) (011) 2875 8383 Khanna Jewellers (Karol Baugh) (011) 2875 0293 **Hyderabad:** Meena Jewellers (Basheer Bagh) (040) 2341 1166,TBZ The Original (040) 2340 0231 **Kanpur:** Kays Jewels (Birhana Road) (0512) 236 2599 L.Kashinath Seth Jewellers (P) Ltd. (Swaroop Nagar) (0512) 255 2625 **Kochi:** Alukas Jewellers Wedding Center (High Court Rd.) (0484) 235 0512 **Kolkata:** Ram's Watches (Metro Shopping Center) (033) 2288 8882 **Lucknow:** B.K. Saraf Jewellers (Gole Market) (0522) 325 4849 Jugal Kishor Jewellers (Huzrat Ganj) (0522) 2224 077 **Ludhiana:** Ganpati Jewellers (Mall Road) (0161) 244 4140 Santram Mangatram Jewellers (Ghumar Mandi) (0161) 277 1091 **Mumbai:** Arena Jewellers (Breach Candy) (022) 2368 1122 Arena Jewellers (Ghatkopar) (022) 2512 0202 Pallazzio (Prabhadevi) (022) 2421 3060 TBZ The Original (Borivali) (022) 4056 5001 TBZ The Original (Ghatkopar) (022) 2512 5007 TBZ The Original (Santacruz) (022) 2605 5001 TBZ The Original (Zaveri Bazar) (022) 2342 5001 Nagpur: Dass Jewellers (Shankar Nagar) (0712) 224 8444 **Surat:** D.Khushalbhai Jewellers (Parle Point) (0261) 221 4958

*** For further details please call (022) 2341 0555 or mail at info@timond.com**

era

ENGINEERING INNOVATIONS

2 decades of expertise.
8 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era MACHINE MART

A DIVISION OF ERA INFRA ENGINEERING LIMITED

16

era infra
Ushering transformation

era CONSTRUCTION & CONTRACTS | era EPC & INTERNATIONAL | era RMC | era MACHINE MART

From recognizing the importance of sophisticated equipment in timely completion of projects to acknowledging its role in creating quality, long-lasting and safe structures.
From setting up a machine mart to meet in-house requirements across multiple projects to concurrently catering to the huge external demand for expensive construction machinery.
From looking beyond operations & maintenance by offering training and repair facilities to evolving one of the largest construction equipment fleets in the industry.

Era Machine Mart promises to help you ripe benefits from the infrastructure boom.

era infra	era buildsys	era landmarks	eraezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.*	ERA BUILDING SYSTEMS LTD.**	ERA LANDMARKS (INDIA) LTD.***	ERA E-ZONE (INDIA) LTD.****	ERA POWER (INDIA) PVT. LTD.

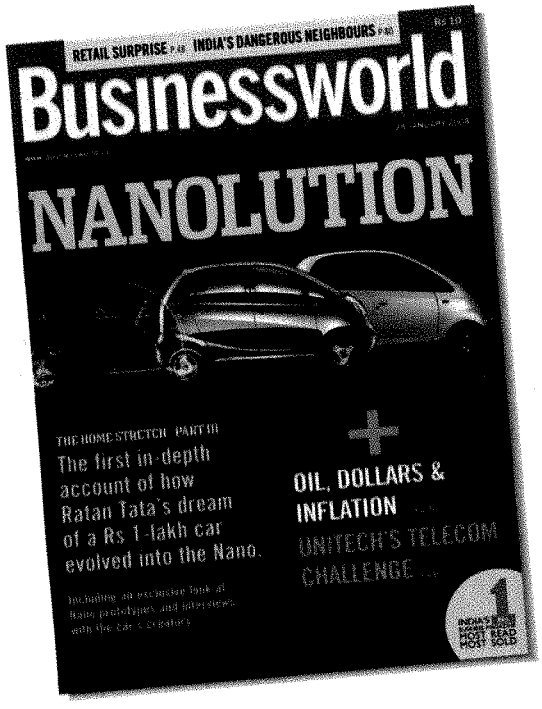
(Formerly called *Era Constructions (India) Ltd., **Era Metal Building Systems Ltd., ***Era Infrastructure (India) Ltd. and ****Era Financial Services (India) Ltd. respectively.)

(#Combined presence of all group companies as on 30th November, 2007)

Corporate office: 153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

Feedback your comments



The Force Of Mass

It may sound a little far-fetched, but your cover story 'Nanolution' (*BW*, 28 January, 2008) does remind one of the renaissance artistes who laboured for years to get their nebulous ideas onto the canvas or into the stone. Indeed, Nano may sum up the philosophy of a new renaissance which India still awaits — technology for the masses. The story fails to make the point that Nano may change the rules of the game for the manufacturing sector in India. As businesses now seek their pots of gold at the bottom of the pyramid, Nano may force companies to think of bringing technology to the masses. It is high time that businesses in India realised that needs must guide technological innovation and not the other way round. So Nano is not as important as a car as a thought landmark.

Dhara Malini, via e-ma

WRITE IN AT
editor@bworldmail.com
or post us on
www.businessworld.in

P32936

Not Down, Not Out

'Squaring Up To Survive' (*BW*, 28th January 2008) is much appreciated as it was different from the regular article on retail industry (organised as well as unorganised). There seems to be a misconception that organised trade is wiping out small retailers. But the truth is otherwise. For example, in spite of the fact that I do my monthly grocery purchase from Demart, we use our local grocery shop, who gives us a home delivery for even a purchase of Rs 5 item, for daily needs such as bread, vegetables, mobile refill, etc.

The truth lies somewhere in between, where both organised retail, with their FDI investments, and mom and pop stores can coexist. Is someone listening (Left?). Can we open up FDI in retail and create lakhs of job opportunities for our unemployed youth across the country.

Ayyappan Swamy, via e-mail

In Depth | retail
Squaring Up To Survive

Exotic Foods And The Indian Ego

'Foods With History' (*BW*, 21 Januray 2008) was a very interesting article tackling an important issue that many turn a blind eye to. It fails, though, to mention the rows of Washington Apples (proud with stickers of place of origin-USA) that steadily disappear from the shelves of local stores in Chennai. The aspiring middle class is enamoured by place of origin stickers, food miles is not even thought. So, instead of being deterred by the price, shopping carts are heaped. Let us not forget the tonnes of Barilla pasta, Prego pasta sauces, green olives stuffed with pimentos and extra-virgin olive oils imported to satiate the nouveau riche Indian's hunger for world cuisine. From what I have observed, cosmopolitan India is fast raking up frequent flyer food miles!

Malini Suryanarayanan, via e-m

Corrigenda

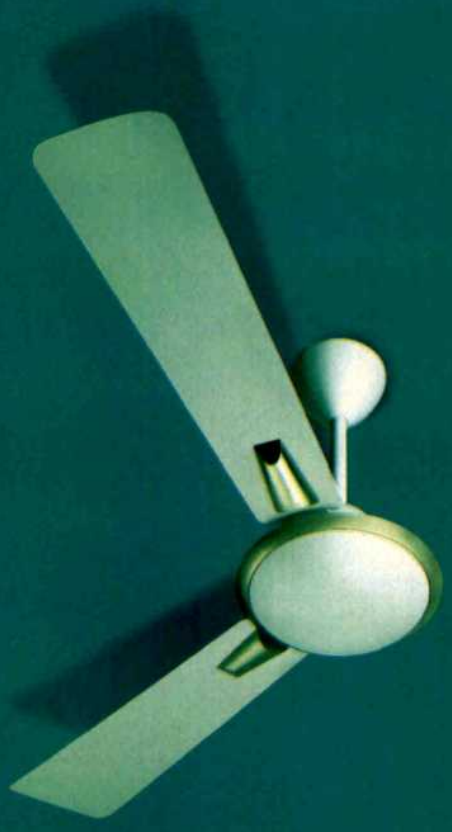
In 'Promises To Keep' (*BW*, 21 January 2008 the MD of Trent, Noel Tata, has been incorrectly identified as Mr Ajit Joshi. Contrary to the reporting in the story, Tata AutoComp System (TACO) has not recieved any order for small plastic components for Toyota's hybrid car. TACO exports for FY07-(were incorrectly estimated at $2.9 billion instead of $ 120 million.

The errors are regretted.

The letters have been edited for brevity.

CUK-HOA416-16-P32936

IDBI BANK
TOTAL CORPORATE SOLUTIONS



What's incomplete can be of little use.

Presenting 'Total Corporate Solutions' from IDBI,

a complete bouquet of Corporate Banking Services designed to meet your specific needs. For more details, please email us at corpsolutions@idbi.co.in.

- Working Capital
- SME Financing
- Project Finance
- Infrastructure Finance
- Trade Finance
- Cash Management
- Syndication
- Underwriting
- Corporate Advisory
- Carbon Credits
- Tax Payments
- Derivatives

Aao Sochein Bada!

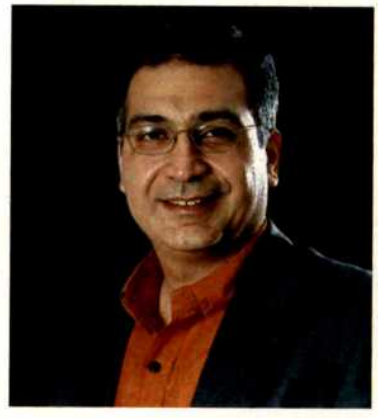
IDBI BANK
इंडस्ट्रियल डेवलपमेंट बैंक ऑफ इंडिया लिमिटेड
Industrial Development Bank of India Limited

Industrial Development Bank of India Limited. Regd. Office: IDBI Tower, WTC Complex, Cuffe Parade, Mumbai-400005. **Website: www.idbi.com**

Wages Of Growth

by jehangir s. pocha, editor

IT'S TOO OFTEN ASKED: "SO HOW much do you make?" Perhaps personal boundaries are loose in our society, perhaps we think money is the measure of a man. Either way, if you're curious about what people make and how your salary compares, our salary survey has the answers.



The good news: people in most professions are raking it in. The bad news isn't in this survey, which studies professional salaries. But one cannot overlook the huge salary differentials in the managerial food chain. India, always an unequal society, has become more so, with a Gini Coefficient (that measures inequality) that's doubled to .4 since 1990.

Consider a chat I had with an MNC executive who boasted his managers were paid "on par" with their American counterparts. I asked if his company's drivers and secretaries also enjoyed the same equality. His answer: "Obviously not!" In reality, there is nothing obvious about the situation, which is dictated by a mixture of economics, sociology and politics. If the situation seems obvious it's simply that the existence of an underclass is so accepted in India. Most workers have only a limited idea of the standard of living they could or should deserve. And the rest of us certainly don't go out of our way to change this as doing so threatens our ability to access comforts and labour cheap. That's why the same person who gamely shells out mega-bucks for designer t-shirts haggles mercilessly with vegetable vendors over Rs 20.

Ronald Reagan told us that the "trickle-down effect" resolves such problems. But in the 20 years since Reagan, real wages in the US have dropped 5 per cent, despite strong economic growth. Indian politicians also like to talk of "inclusive growth". But not a single credible move to achieve this has been made. While I'm happy for those who can use this survey to chase high-paying jobs, I worry about those who will find the same statistics cause for deeper resentment and anger. Is this "leftism"? Thomas Paine would have called it Common Sense.

Businessworld

Volume 27 Issue 37.
For the week 29 January-4 February 2008,
Released on 28 January 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502

Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294

Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)
Limited period special offer inside

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81

Talk to the high spenders

Now, with Vanita, reach out to SEC A1 & A2 readers most cost efficiently.

Publication	Reach (000s)	CPT Index
Vanita	777	100
Grehlakshmi	1449	147
Grih Shobha	2428	110
Meri Saheli	1724	135

IRS 2007 R2

Businessworld 04.02.08

AMIT VERMA

COVER STORY

35 Take A Pay Check

BW's salary survey draws out numbers and insights from the corporate scramble for human resources.

42 Methodology
Cutaway view of survey mechanics.

44 Automobiles
Overdrive to retain and train employees.

46 Auto Components
Parts that vie with the whole.

50 Advertising And Media
Little creativity when it comes to salaries.

52 Banking
New entrants laugh all the way to the bank.

54 BPO
Taking a call on employer branding.

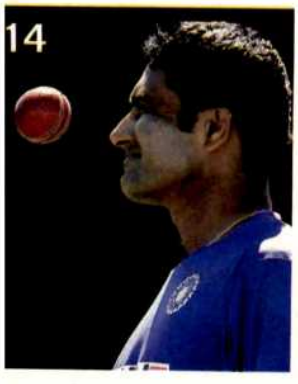
56 Business Services
The movers are stuck in low packages.

60 Financial Services
Wanted: A lot of money-minded people.

62 Infrastructure
Everything goes skyward here.

64 Information Technology
Dollar error. HR needs to reboot.

66 Manufacturing
Levers are moving, if ever so slightly.



0 Pharmaceuticals & Chemicals
ɛed a microscope to see HR budget?

2 Retail
iring is no problem, training is.

4 Perks & Perquisites
o sticks, all carrots.

8 Column: Monisha Advani
ow public sector holds on to employees.

0 Recruitment
here's a squeeze at the entry level.

4 Training Industry
here is no one single uniform.

IN POINT

0 House Arrest
S housing market won't yet recover.

1 Beyond Chindia
/hy Nokia prefers to go to Romania.

4 Bowling Them Over
shy Kumble is the advertisers' darling .

6 FIANCHETTO
Veekly strategic corporate moves.

8 QUICK TAKE
peculators running the stockmarket?

N THE NEWS

2 Growth Ahead
he Economic Advisory Council is upbeat.

4 Cipla Versus Roche
his patents battle may change the game.

6 Down The Drain
mping money into a leaky system.

DEPTH

3 Stockmarket Crash
t local? Is it global? Is it going to stay?
estions rise as stocks tumble.

IN VOGUE

99 It's High Time
Luxury watches tell more than just time.

104 Switch It Off
Know your cell phone etiquette.

110 Bookmark
Novelist Manil Suri takes mythology and treats it like the speed of light.

COLUMNS

20 Omkar Goswami
Be ready for a rough year in the US.

27 Bill Emmott
Fall in dollar could well be good news.

34 Gurbir Singh
Politics in purely commercial transactions.

86 Srikanth Srinivas
Will the RBI reduce its policy rate?.

98 Caroline Baum
Why Fed let the market twist its arm?

BW & YOU

06 FEEDBACK

89 CASE STUDY

114 BW OPINION

Cover Design by Madhumangal Singh

BWonline
businessworld.in
WEB EXCLUSIVES
TechnoCool
A phone slapped on to the back of a digital camera. That's Viewty, says Tushar Kanwar.
Realty In Kolkata
A realty boom is on in Kolkata. But the foundations seem weak, says Kajal Basu.

Total No. of pages including cover: 116

GLOBAL ECONOMY

The Bubble Implodes

Foreclosures are pushing the US economy to the brink of recession

IN A MESS: The US housing market will take time to recover from the subprime crisis

THE US HOUSING market just went through the floor. In the last quarter of 2007, there were 600,000 foreclosures or re-possessions by lenders. At $200,000 on average in loans per house, that works out to $120 billion. US banks report that the glut of foreclosures is creating problems that they aren't used to.

Usually, foreclosed properties are sold within 90 days; now, even with a 25 per cent discount to fair value, houses remain on the market for more than six months. Additionally, in several states, many of the foreclosed properties are in a state of considerable disrepair; for the banks, abandoning those homes might be the only option. The local authority must then wait for three years before auctioning it off to recover unpaid property taxes.

And as foreclosures push the American economy to the brink of recession, President George Bush proposed a $145 billion programme. While few specifics were forthcoming, the economic stimulus plan could include tax breaks for individuals and businesses, including small firms, to give the economy "a shot in the arm".

Federal Reserve Chairman Ben Bernanke was quoted to have been for a fiscal stimulus, given that monetary policy (read interest rate cuts) has not been very effective. But many US economists have argued that by the time it takes such fiscal incentives are legislated, passed int law and their effects become visible in the economy, the recession might well be over (the average duration of the last four recessions has been nine months)

For the US, and world, there is no escaping the R-wo

Srikanth Srini

26 thousand crore rupees. The amount ONGC is slated to invest in Kakinada SEZ to set up a refinery

QUOTE OF THE WEEK **"I can't tell who I'm running against sometimes — Hillary or Bill Clinton."**

— BARACK OBAMA, US PRESIDENTIAL CANDIDATE

NOKIA

No To Chindia

India and China are slowly losing out to eastern European countries

IS INDIA LOSING ITS ability to attract major telcos to set shop in India? European companies have all along preferred to set base in countries that offer low-cost manufacturing, customer proximity and a big growing market. But Finnish telecom major Nokia closed down its unit in Germany and moved to Romania instead of India or China.

The decision defies logic on two counts. One, mobile subscriber base in eastern Europe is 16 per cent year-on-year (2006-07) compared with 60 per cent in India. Two, the manufacturing cost for telecom equipment in Romania is lower or same as in India and China.

Analysts say the only reason for Nokia to opt for Romania is savings on logistics and transportation. But, industry observers say even that should not be an issue, since China is as close to Russia as is Romania to serve the European markets.

From India's perspective, clearly it is losing out to other countries. And the government is not unaware; it has set up a high powered group under V. Krishnamurthy, chairman of National Manufacturing Competitiveness Council, to recommend policy measures to attract foreign direct investment and modernise manufacturing in India and create a strong technological base.

M. Rajendran

BLOOMBERG

NEW HORIZONS: Nokia has chosen Romania over India and China

India FOCUS

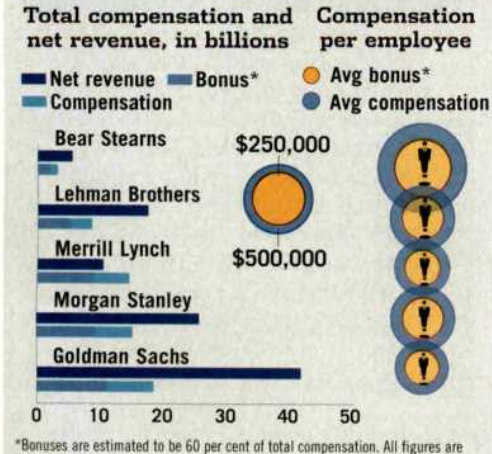
AP

Fit for the hot seat India suddenly has many supporters for its bid to be a permanent member of the United Nations Security Council (UNSC). Close on the heels of China, the UK has pledged its support to India.

During his recent India visit, Britain PM Gordon Brown said he would like to see India in the UNSC.

WALL STREET'S RECORD BONUS

Wall Street's five biggest firms are paying $39 billion in bonuses, even though three of them suffered the worst quarterly losses.



*Bonuses are estimated to be 60 per cent of total compensation. All figures are for fiscal 2007.

Source: Companies

STOCKMARKETS

MAKING IT TO GRADE

GRADING INITIAL PUBLIC OFFERINGS (IPO) may not be benefiting investors. Most companies that tap public funds have been graded 3 or 4 on a 1-5 scale by the four Sebi-approved rating agencies for IPO gradings — Crisil, Care, Icra and Fitch.

An analysis by Praxis Consulting & Information Services says that out of 17 IPOs that hit the primary market from 1 December 2007, six got a grading of 4, nine got 3 and only two got 2. This is vastly different from a set of 17 pre-December 2007 issues that hit the market from February to November 2007, where only three IPOs had grade 4, four got grade 3, two got grade 2 and eight got grade 1.

There seems to be no connection between the fundamentals of a company and its IPO price. So, even if a company has strong fundamentals, its high IPO price may not justify them, whereas a company with average fundamentals but with its IPO priced attractively would still represent an opportunity for investors.

Rajesh Gajra

RUSHING FOR LIFE

Palestinians cross the border into Egypt after militants exploded the wall between Gaza Strip and Egypt, in Rafah, southern Gaza Strip, on 23 January. Palestinian gunmen blew holes into the Gaza-Egypt border wall and thousands of Gazans trapped in their territory by a tight blockade poured into Egypt to buy food, fuel and other supplies.

DRUG PRICING

Taking A Baby Step

BLOOMBERG

The loophole in drug pricing can be fixed. But its impact on prices may be minimal

A RECENT REPORT IN A leading pink paper said that National Pharmaceutical Pricing Authority (NPPA) of the ministry of chemicals and fertilizers, will plug a loophole in price control laws.

The report said that the NPPA hopes to put an end to this by prescribing 'pro-rata' pricing for all other packs with the same drug composition or strength as the controlled price pack.

But the fact is that such a notification is already in place since January 1998! But it only applies to tablets and capsules that are packed in different strips or blisters.

Now, this notification may be expanded to include other categories like pills and liquids in bottles, creams packed in tubes, etc.

The impact on prices will be limited, and only to the extent this practice is being followed.

Gauri Kamath

ANTI-WHALING

BLOOMBERG

Stink bomb

JAPANESE WHALERS ARE ANGRY. FIRST, THEY had to comprehend two overzealous anti-whaling activists who boarded their ship to protest against hunting of whales.

After two days, the whalers were turned over to an Australian patrol boat, which later released them. However, the activists recouped in no time and threw butyric acid or 'stink bomb' on board at the Japanese whaling vessel.

The stink bombs emit a foul smell so unbearable that it will prevent work on the ship's deck at least for two days.

Reality Check

China's internet is the most heavily policed in the world. In 2007 alone, Chinese authorities closed down about 45,000 pornographic websites and arrested 868 people.

SONA GROUP

A PRECISION DEAL

DILEEP PRAKASH

THIS DEAL COULD MAKE Sona Okegawa, the precision forging arm of Sona Group, the largest precision forger in the world.

Germany's Thyssen-Krupp Technologies has agreed to sell its precision forging arm ThyssenKrupp Präzisionsschmiede (TKP) to Sona Okegawa by 31 January.

TKP, a €291 million company, is 10 times the size of Sona Okegawa, which has revenues around Rs 180 crore.

According to Surinder Kapur, Sona's chairman and managing director, the deal will open access to TKP's global customers such as Volkswagen, BMW and Renault and will also bring in high-end capabilities into Sona Okegawa.

The deal, along with the company's existing expansion plans, will increase manufacturing capacity at Sona Okegawa from 12 million gears annually to 60 million by the end of 2009.

Pierre Mario Fitter

TOP 10 LISTINGS

TOP 10 FDI DESTINATIONS

1	China
2	India
3	United States
4	United Kingdom
5	Hong Kong
6	Brazil
7	Singapore
8	United Arab Emirates
9	Russia
10	Germany

The above are 2007 rankings. Source: AT Kearney

Even as ADC expires, TRAI has called for a fresh financial subvention

TELECOM

TRAI's New Rural Focus

THE ACCESS DEFICIT charge (ADC) that private telcos shell out to fund state-owned BSNL's rural network may have just got a fresh lease of life. In a recent consultation paper, the Telecom Regulatory Authority of India (TRAI) has made a fresh case for 'financial subvention' to support rural telephony.

At present, a telecom company sets aside 0.75 per cent of its adjusted gross revenue every year towards ADC. The regime is scheduled to end this fiscal. But TRAI's view that wireline services in rural areas must be improved even as ADC ends has raised a few eyebrows.

Private mobile service providers are miffed, but Trai officials say there was no need to fret since they too will get to dip into this pool for rural network expansion.

M. Rajendran

International Accounting US I UK I Canada

Tax Preparation * Conversion as per GAAP, IFRS

9811520135 I sanjeev@ekminfo.com I www.ekminfo.com

EKM Excellence in International Accounting & Taxation

UN'S RESOLUTION ON IRAN

Watered Down

The two lobbies in the UN continue to stymie any progress on the Iran issue

AP

UN-UNITED NATIONS: The P-5 meeting could not come up with a clear stand on Iran

THEY MET PURPORTEDLY to keep the pressure on Tehran to stop its nuclear activities. But instead, they proved that theirs is a house divided.

The meeting of the five permanent members (P5) of the United Nations — the US, Britain, France, Russia and China — and Germany in Berlin on 22 January could not arrive at a consensus on Iran.

Although the veto-holding P5 agreed upon on a new draft resolution, none of the members came forward to spell out the small details as to what corrective measures will be taken against Iran.

While the US and its European allies claimed the new resolution is a breakthrough as it shows the unity of the P-5, Russia has categorically downplayed it saying resolution does not call for tough sanctions.

The US, the UK and France were pressing for a third set of UN sanctions against Iran, while China and Russia did not want to back any more punitive measures.

Russia and China have significant economic interests in Iran. Russia, Iran's biggest arms provider, is building the country's first atomic power station at the port city of Bushehr and delivers its atomic fuel. China is dependent on Iranian oil and gas, and wants to have a strong foothold in the Iranian market.

Meanwhile, Iranian President Mahmoud Ahmadinejad said that any new international sanctions would not stop the country from pursuing its 'legitimate and legal rights' to a nuclear programme.

The existing UN sanctions limit arms sales to Iran and attempt to isolate companies tied to the nuclear programme.

T.K. Vineeth

CRICKET

Who Yells, Sells!

After his Australia performance, Anil Kumble is the darling of marketers

AP

THE NEW KID ON THE BLOCK: Anil Kumble

ANIL KUMBLE, THE shy and dogged achiever of Indian cricket, was always respected, but never really loved enough to get rich brand endorsement deals.

But that has changed since he lashed out at the Australian cricket team for stooping to conquer during the test match at Sydney and then led the Indian team to whip the cocky Aussies at their favourite home ground, Perth.

Kumble hardly had big advertisers chasing him despite being India's most successful bowler ever till he was made captain in late 2007. Suddenly he is being considered worthy of Rs 1 crore plus endorsements, a bracket generally occupied by hot cricketers of the day, such as M.S. Dhoni and Yuvraj Singh now.

Kumble may well make the best of this opportunity as the sports marketers bet on players on day-to-day basis. Ask Irfan Pathan.

Feroz Ahmed

Corporate

NEWS

Infy fines its CEO

CEOs holding equity shares of their companies, beware. Infosys CEO and Managing Director S. Gopalakrishnan recently inherited 12,800 equity shares of the company from his mother but he failed to notify this to Infosys on time.

The result: Infosys' audit committee imposed a fine of Rs 5 lakh on Gopalakrishnan. A good go at corporate governance.

10 million. The number of children under five dying every year from preventable diseases

COMMUNICATION SOLUTIONS

THAT EMPOWER YOU TO MAKE INFORMED DECISIONS.

AND ENHANCE EFFICIENCY.

Give your business the

Hi-Speed Information Advantage

• Managed Services • Data Services • Wireless Applications • Landline Services • Mobile Services

In today's changing markets, decision-making on your feet is the need of the hour and Tata Indicom's end-to-end communication solutions help you make informed decisions. With the superior CDMA technology (3G-ready), Tata Indicom provides corporates with excellent speeds for data transfer. Along with an unmatched range of telecom products & services. Furthermore, it comes with the support of the Tata Group and partnerships with Tata Consultancy Services, Tata Autocomp Systems Ltd. and MobileOne. So to make informed decisions always, make a smart one today.

Switch to Tata Indicom. And experience the difference.

TATA indicom

ENTERPRISE BUSINESS SERVICES

DRAFTFCB + ULKA 810104

BLOOMBERG

Vodafone bets on emerging markets

Vodafone Group, the world's largest mobile phone operator by sales, is buttressing its focus on India. This year, the company will invest $2 billion in India to build telecommunications towers, set up shops and for advertising.

Reliance Energy's Rs 2,500 crore deal

A consortium of Anil Ambani-promoted Reliance Energy (REL) and CAF of Spain has bagged a Rs 2,500 crore order for putting up equipment and rolling stock for the New Delhi-Indira Gandhi International Airport link of Delhi Metro. REL plans to set up a special purpose vehicle to design, maintain and operate the metro link that would be operational by July 2010. The SPV will share revenue with DMRC for running the system.

Bharti reinforces ties with IBM

Bharti Airtel has strengthened its existing relationship with IBM by inking a $150 million agreement to offer customers unified services across the entire spectrum of mobile, broadband and television.

BLOOMBERG

It will add capability of the company to manage a combination of heterogeneous transport and access networks and strengthen distribution and prepaid service.

Dr. Reddy's volte-face

Dr. Reddy's Laboratories (DRL) has entered a settlement agreement with Novartis Pharma to suspend the launch of its generic capsule rivastigmine tartrate till 2014, when it will go off-patent.

Rivastigmine is the generic version of Novartis' Exelon, used to treat mild-to-moderate Alzheimer's disease. In 2006, DRL had moved a US court challenging the Novartis patent on rivastigmine. DRL has now suspended the launch of the generic capsule.

Reliance's power deal

Reliance Industries (RIL) has placed a Rs 866 crore order with Bharat Heavy Electricals (BHEL) to set up a 345 MW gas turbine-based combined cycle power plant (CCPP) in Maharashtra.

Once completed, the project would meet the power requirement of Reliance Retail and other RIL ventures and is expandable up to 1,000 MW in future.

Isro's Israel riches

With the successful launch of TECSAR,

DEALTRACKER

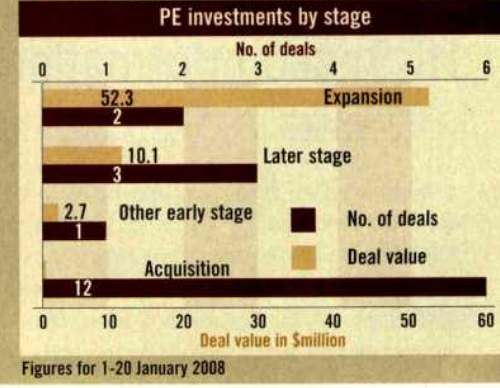
BW-THOMSON FINANCIAL PE TRACKER

January In the first three weeks of 2008, the Asian PE market saw 20 deals worth $86 million as on 20 January 2008. India was the largest market in the region with 12 deals worth $65 million.

Top 10 India deals

TARGET	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Sahyadri Hospitals	ICICI Venture Funds Mgmt	India	35.70
Unicon Financial Intermediaries	Sequoia Capital India	India	30.60
Gland Pharma	Evolvence Capital	UAE	30.00
Repco Home Finance	Carlyle Group	US	27.70
Medica Synergie	ICICI Venture Funds Mgmt	India	16.59
Mahindra Holidays and Resorts India	Jacob Ballas Capital India	India	10.06
Tecpro Systems	Credit Suisse Private Equity, Kotak Mahindra Bank	US, India	7.96
Newgen Software Technologies	Montagu Private Equity	UK	7.50
Effort BPO	Motilal Oswal Venture Capital Advisors	India	6.38
StudyPlaces	Sherpalo Ventures, Kleiner Perkins Caufield & Byers, Undisclosed Indian investor	US	2.67

Figures for 6-19 January 2008



Figures for 1-20 January 2008

AP

an Israeli satellite, the Indian Space Research Organisation (Isro) has grabbed a slice of the $2.5 billion global commercial satellite launch services.

TECSAR, launched from Sriharikota on 21 January, made Isro richer by $14 million. TESCAR operates with an advanced radar system to give the Israeli defence forces a peek into military activity on enemy terrain.

Godrej's kinky affair

Indian consumer goods company Godrej Consumer Products wants to make it big on the international arena. It has acquired South African hair brand Kinky. This is Godrej's fourth international acquisition.

The deal, which will be completed by April, will allow the company to enter the natural and artificial hair business as well as expand its presence in South Africa.

Documenting shipbuilding

For the first time in India, an independent service provider, The Writers Block (TWB), has introduced technical documentation and technical knowledge publishing solutions for shipbuilding and shipping industry.

BLOOMBERG

India is one of the leading maritime nations with over 9 million gross registered tonnage rating, which is 17th in the world.

NDTV dilutes stake

In order to expand its presence in the television entertainment space, Delhi-based news broadcaster NDTV has sold 26 per cent stake in NDTV Networks to NBC Universal for $150 million.

As per the agreement with NDTV, NBC Universal — an international media and entertainment company — can increase its stake to 50 per cent in NDTV Networks by 2010.

Tata Motors' electric foray

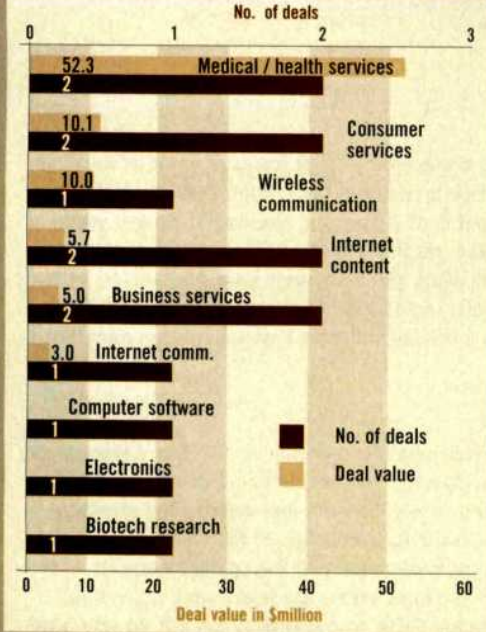
Tata Motors has signed a development contract with Chrysler LLC for electric vehicles.

The deal, with the US carmaker's Global Electric Motorcars unit, is for an electric version of Tata's mini truck Ace that would be sold in the US.

Tata Motors plans to export 10,000 units by end-2008. The battery operated electric vehicle can ferry passengers and cargo.

The company is also working with foreign collaborators on biodiesel and electric traction technology, and is in talks for hybrid engines and fuel cells.

PE investments by industry



Figures for 1-20 January 2008

Top 10 Asia deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Sahyadri Hospitals	India	ICICI Venture Funds Mgmt.	India	35.70
Unicon Financial Intermediaries	India	Sequoia Capital India	India	30.60
Gland Pharma	India	Evolvence Capital	UAE	30.00
Repco Home Finance	India	Carlyle Group	US	27.70
Medica Synergie	India	ICICI Venture Funds Mgmt.	India	16.59
Mahindra Holidays and Resorts India	India	Jacob Ballas Capital India	India	10.06
MMIM Technologies	China	Crosslink Capital, IDG Technology Venture Investment, BlueRun Ventures	US, China, US	10.00
Tecpro Systems	India	Credit Suisse Private Equity, Kotak Mahindra Bank	US, India	7.96
Newgen Software Tech.	India	Montagu Private Equity	UK	7.50
Effort BPO	India	Motilal Oswal Venture Capital Advisors	India	6.38

Figures for 6-19 January 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

Quick Take

Is the stockmarket now a preserve of speculators rather than serious investors?

We asked... Bimal Jalan, Rajya Sabha member and former governor of the Reserve Bank of India, A.K. Subbaraman, Certified Financial Consultant, Kiran Mazumdar Shaw, Chairman and Managing Director (MD), Biocon, C.J. George, MD, Geojit Financial, Deena Mehta, MD, Asit C. Mehta Investment Intermediates, Karthk Ramakrishnan, Analyst, Sunidhi Securities Finance, Venugopal Dhoot, Group Chairman, Videocon, Partha Sarathi Basu, Chief Financial Officer, SpiceJet, Bimal Parekh, Director, Sunidhi Securities Finance and Puneet Nanda, Chief Investment Officer and executive vice-president, ICICI Prudential Life Insurance

"There was a bubble in the stock markets. India's economy may be doing great but the stock markets had no resemblance to the real economy. Valuations were purely speculative."

Bimal Jalan, Rajya Sabha member and former Governor of RBI

"The Indian stock market gives a very good opportunity to investors. A large number of Indian companies are not dependent on US market, but for the time being it seems we will get affected by it."

Kiran Mazumdar Shaw, Chairman and managing director, Biocon

"Any investor needs to be smart. Speculation may work to some extent. But, above all, it is the performance of the company and its fundamental business model that always drive a stock."

Partha Sarathi Basu, Chief Financial Officer, SpiceJet

Yes 10%

YES BECAUSE: The kind of valuations being projected by stock prices of some of the companies was not in line with their financial results. Price to earnings (PE) ratios were at an all time high. While national income was growing at a rate of 9 per cent a year, the stockmarkets have grown at over 40 per cent. Others add that the markets have tanked despite a heady GDP growth expectation of over 9 per cent this fiscal and robust corporate earnings. While global markets have plummeted because of a looming US recession and impending sub-prime crisis, India faces no such adverse fall-out. The volatility of markets falling and rising over 2,000 points intra-day indicates that speculators have had a field day.

No 90%

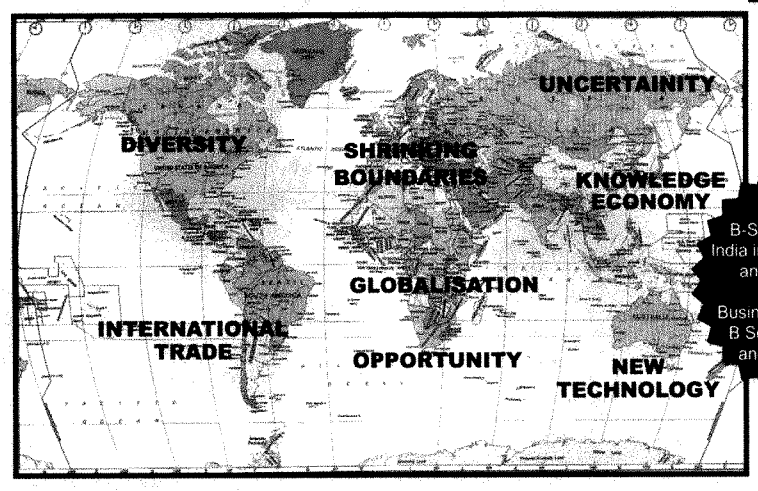
NO BECAUSE: It is for the participants to decide which one he/she wants to be—investor or speculator. You can't have a market without speculators. Speculators provide liquidity which is the lifeline of markets.Many retail investors who have invested wisely have not lost money. Any investor needs to be smart and should base his or her judgment on the fundamentals of the company. Speculation may work to some extent but above all it is the performance of the company and its fundamental business model that always drive a stock.Companies across the board were registering profits so manipulation of stock prices is not a certain factor. SEBI as a regulator has put up very good mechanism and is in control. Thus investors should not have nay concern on this front.

SKYLINE BUSINESS SCHOOL
SKYLINE SCHOOL OF COMMUNICATIONS
SKYLINE INSTITUTE OF TRAVEL & TOURISM

Established 1996

Graduate to the *new* World

Admissions Open
- Feb. 2008 Batch
- Aug. 2008 Batch



Ranked "Category A" B-School by Business India in 2005, 2006 & 2007 and among top 100 B-Schools by Business World Cosmode B School Survey 2005 and C-Fore Outlook 2007

the new world beckons!

The world map has undergone a sea change this last decade. The trend continues and promises to be even more unfamiliar. The need to be geared up for tomorrow is more than ever before.

To be qualified, well informed, with confidence of speech, possess special knowledge in areas that require skilled and proficient manpower is the crying need of today. The need to be a step ahead and a step faster and surer. To understand the dynamics of change and come out a winner.

At Skyline students are trained to equip themselves to take on the world and carve out their niche in tomorrow's world.

Skyline Alumni Placements & Summer Training: • Aaj Tak • ABN AMRO • Air Sahara • Air Tel • Albertsons, USA • Amadeus India • American Express • Bajaj Capital • Bank of Punjab • Bax Global • British Airways • Capital IQ • Citibank • Cox & Kings • Daksh • Delphi • ebookers.com • eValueserve • Equus Advertising Limited • Fortis • Galileo • GE Capital • Gulf Air • HDFC • Hewitt • Hindustan Times • HSBC • HCL Technologies • Indiatimes • Interglobe • ICICI • Indiabulls • Jet Airways • LG Electronics • Lowe Lintas • Lufthansa • Makemytrip.com • Maruti • McKinsey & Co. • Naukri.com • Pepsi • Price Waterhouse Coopers • Ranbaxy (RFCL) • Select Hotels • Sify • Singapore Airlines • Standard Chartered • Swiss Airlines • Thomas Cook • TATA AIG • Times of India • Yatra.com

Several Skyline Alumni have gone abroad for further studies in the following universities - • Kelley School of Business, Indiana University, **USA** • University of Akron, **USA** • Oklahoma City University, **USA** • Eastern Illinois University, **USA** • Cardiff Business School, **UK** • University of Sunderland, **UK** • University of Cranefield, **UK** • York University, **Canada** • Monash University, **Australia** • University of Exeter, **UK** • University of Surrey, **UK**

For more information/prospectus, please call or visit:

Delhi Campus
Hauz Khas Enclave, New Delhi - 110 016
Tel. Nos. 011-2686 4848, 2686 6968 & 2652 4399
Call/SMS@Mobile 9810005021 & 9810877385

Gurgaon Campus
122 Institutional Area, Sector-44, Gurgaon - 122 003
Tel. Nos. 0124-6451402, 6451242, 6451418 Call/SMS@Mobile 9810877385
E-mail : info@skylinecollege.com Online Chat/Web: www.skylinecollege.com

* Degrees are awarded by UGC recognized Sikkim Manipal University under distance learning mode backed by full time classes and academic & learning support systems by Skyline, with an emphasis on overall Personality Development.

MBA*/BBA*

UGC recognised University's Degrees (SMU) with Specialisations in Marketing, Finance, Human Resource Management, Banking, BPO, Healthcare

MASS COMMUNICATION MA*/BA*

UGC recognised University's Degrees (SMU)

TOURISM

Post Graduate/ Graduate level courses

SKYLINE BUSINESS SCHOOL

12 years of Excellence

There's More Bad News

by omkar goswami

MY APOLOGIES FOR THE SECOND CONSECUTIVE article of the new year continuing to sound sombre and heaping still more bad news. Today's ill tidings have to do entirely with the USA. Most of the facts given here are culled out from an outstanding presentation that Thomas A. Russo will have made at the January 2008 Annual Meeting of the World Economic Forum at Davos.

Be ready for a rough year in the US. That's the view of Thomas Russo, a man who knows the markets

It has been my privilege to have interacted with Tom for several years. He is a deep thinker of the economy and capital markets; has been in the business for long; and as Vice Chairman and Chief Legal Officer of Lehman Brothers, knows his onions. Tom shared a late November version of his findings with some of us in Washington DC in early December 2007. The data has been updated right up to early January 2008. Everything looks nastier.

Let's start with the real estate sector. As I wrote last fortnight, for the first time since November 2005, the US unemployment rate has touched 5 per cent. The Conference Board's Consumer Confidence Index in December 2007 was 21 per cent lower than in July 2007. Debt-service payments and financial obligations of US households have been creeping up over the years. By Q3 2007, these together stood at over 19 per cent of household disposable income. In addition, higher energy prices have reduced the budget for discretionary consumption spends by as much as 1 percentage point. Its not surprising, therefore, that with the solitary exception of November 2007, US retail sales growth rates have been lower for every month of 2007 than they were in either 2006 or 2005. Both July and December 2007 — the traditional big-spend months — have shown the worst growth in the last four years.

Now, on to the financial sector. By the end of 2007, outstanding sub-prime mortgages were estimated at over $1.2 trillion. To put it in perspective, that's about 20 per cent more than India's GDP at current prices. Over two-thirds of these mortgages are called '2-28' — the first two years with a teaser fixed rate, then 28 years of higher calibrated floating rates. Something like $550 billion, or 2.8 million sub-prime loans will be reset to floating rates by the end of 2008, which will increase monthly mortgage payments by at least 20 per cent, or by an average of $300 per month.

With shell-shocked banks employing much tighter lending standards and falling home prices, the sure-shot outcome will be a further rise in home loan delinquencies. Analysts at Lehman Brothers have forecast cumulative defaults of sub-prime loans taken in 2006 and the first half of 2007 to be as much as 40 per cent in the course of this year. Consequently, home loan foreclosures have been estimated to rise to a total of around 2 million single-family home units over 2008 and 2009 — which would be over three times the normal US foreclosure rate.

Given the massive inventory of unsold home units in the US, the huge growth in home loan foreclosures will further depress home prices. In Q1, 2005, US average home price inflation was at 15.7 per cent — which allowed home owners to extract large equity values and increase consumer spending as well as GDP. Today, the inflation rate is (-)4.5 per cent. Analysts believe that the index will fall by 20 per cent from peak to trough, with an extra 5 percentage point downside risk. That, according to Russo, would make it the most dramatic fall in home loan prices since the Great Depression of 1929-34.

There's more bad news. Credit card delinquencies have started picking up for all issuers, with Capital One being the worst hit. Economics tells us that these delinquencies ought to rise as consumer budgets get stretched and mortgage defaults increase. To make matters worse, sub-prime auto loan defaults have also started, especially for loans from 2007.

Tom Russo doesn't overstate facts. He studies numbers and treads very carefully before coming to a view. The fact that Tom has written what he has and is going to share this presentation at Davos, convinces me that things are going to get quite a bit worse. Be prepared, then, for streams of bad news coming from the US over the first six months of 2008, if not longer. And for global financial markets being on a perpetual edge as everyone skates on US thin ice. (The US Federal Reserve cut interest rates by 75 basis points as this article went to press).

No doubt, what goes down will bounce up. The question is: Down for how long? How fast? And till where? That is the stuff that is giving everyone sleepless nights.

The author is chairman of CERG Advisory.
omkar.goswami@cergindia.com

Colours work
because they talk to the heart.

P32936

Ricoh presents a range of best-in-class Colour MFPs that use the emotional impact of colour to your advantage. So that your business propositions can effortlessly work their way into the hearts and minds of your associates.

KEY FEATURES: Standard printer & scanner • Built-in duplex & ADF • In-house finishing • Remote retrieval & editing of files • Security through encryption & authentication • PictBridge support • High-speed, low-cost B/W printing too

No.1 Colour MFP in U.S. & Europe

RICOH

• Colour & B/W Multi-Function Products (A0 to A4, 135 to 16 ppm) • CopyPrinters • 99% up-time
• Nationwide service network

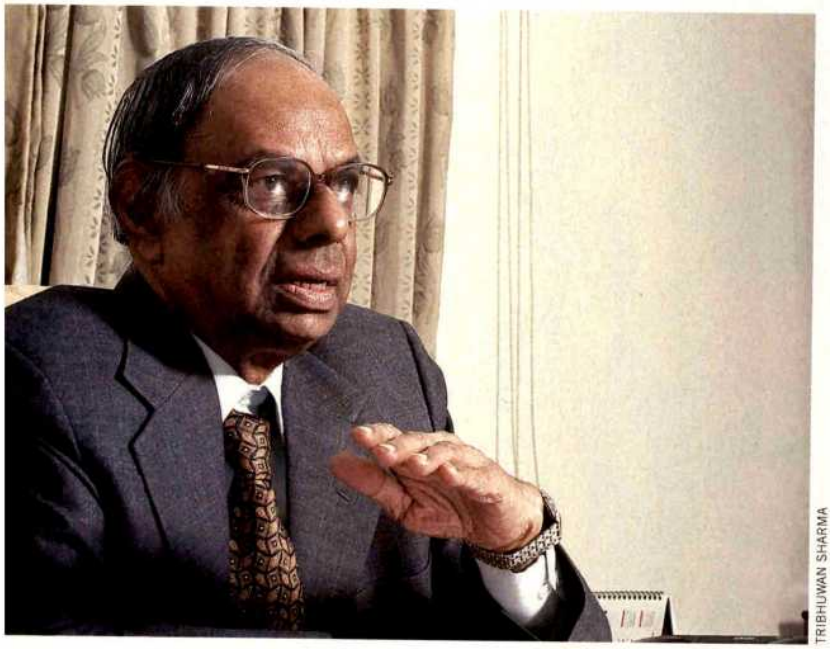
| PRINT | COPY | SCAN | FAX |

CORPORATE OFFICE: 52-B, Okhla Industrial Estate Phase III, New Delhi-110 020; Tel: 011-41613010-18; Fax: 011-41612221; Website: www.ricoh.co.in; Email: ril.info@ricoh.co.in; **SMS 'RICOH' to 53456.**
BRANCH OFFICES: Ahmedabad: 26582883, 26588709; Bangalore: 41477620/21, 22248829/30; Chandigarh: 2710162, 2701984; Chennai: 30212121/22; Coimbatore: 2493948, 2496276; Delhi: 23353488, 41731867, 23312001, 41731860; Guwahati: 2635311, 2543591, 2602949; Hyderabad: 39185081/82, 39101898; Jaipur: 2707028, 2706299; Kochi: 2353274, 2352266; Kolkata: 22101634, 22488641/42; Lucknow: 3237048, 2239189/76; Mumbai: 67032095, 22883042; Patna: 2222830, 2201490; Pune: 30580149/53/54; Ranchi: 2331426/069; Visakhapatnam: 2553466, 2754968.

resonance RI7207

Outlook Bright

by Puja Mehra



TRIBHUWAN SHARMA

GOOD SHOW: EAC Chairman C. Rangarajan says export performance is satisfactory

Economic Advisory Council is upbeat despite many odds

EASING WORRIES OVER AN IMPENDING SLOWDOWN, the Prime Minister's Economic Advisory Council (EAC) has projected the economy to grow at 8.9 per cent in the current fiscal and 8.5 per cent in 2008-09. The current year's projection is a shade lower than the 9 per cent estimated by the EAC in its July review of the economy. EAC Chairman C. Rangarajan conceded at the release of the review last week the economy had been managed well so far, given the Reserve Bank of India's monetary tightening had contained inflation — to within 4 per cent — without eroding much growth.

The EAC's projections are heartening in the backdrop of a spate of uncomforting views on economic deceleration. The Global Development Finance Report 2007 of the World Bank declared in August 2007 that policy bottlenecks could slow investment and pull down the economic growth to 7.8 per cent in 2008 and 7.5 per cent in 2009.

Despite a robust rupee, rising global crude and food prices and concerns over a looming US recession, the EAC's confidence in the resilience of the economy stems from encouraging trends that are now emerging.

Taking a cue from the strong kharif and non-foodgrains output, it has upped its estimate for agricultural growth to 3.6 per cent from its July projection of 2.5 per cent. Though an industrial slowdown (the growth estimate is down from 10.6 per cent to 9.7 per cent) is the only downside to the EAC's robust projection, some healthy trends are emerging in this sector too. The capital goods-using segments are growing at a rate better than the last year's. The estimate for capital inflows for the year has been revised from $58 billion to $103.2 billion. And most importantly, the adverse impact of the rising rupee has so far been marginal on exports, which are growing at 22.3 per cent against 26 per cent last year. "Export performance is satisfactory — both in value and employment terms — though we should be careful about the next year," Rangarajan said. He refuted alarms about the loss of jobs in export-oriented units.

Displaying a remarkable turnaround, public savings are growing at 2 per cent. In 2001-02, they were falling at 2 per cent.

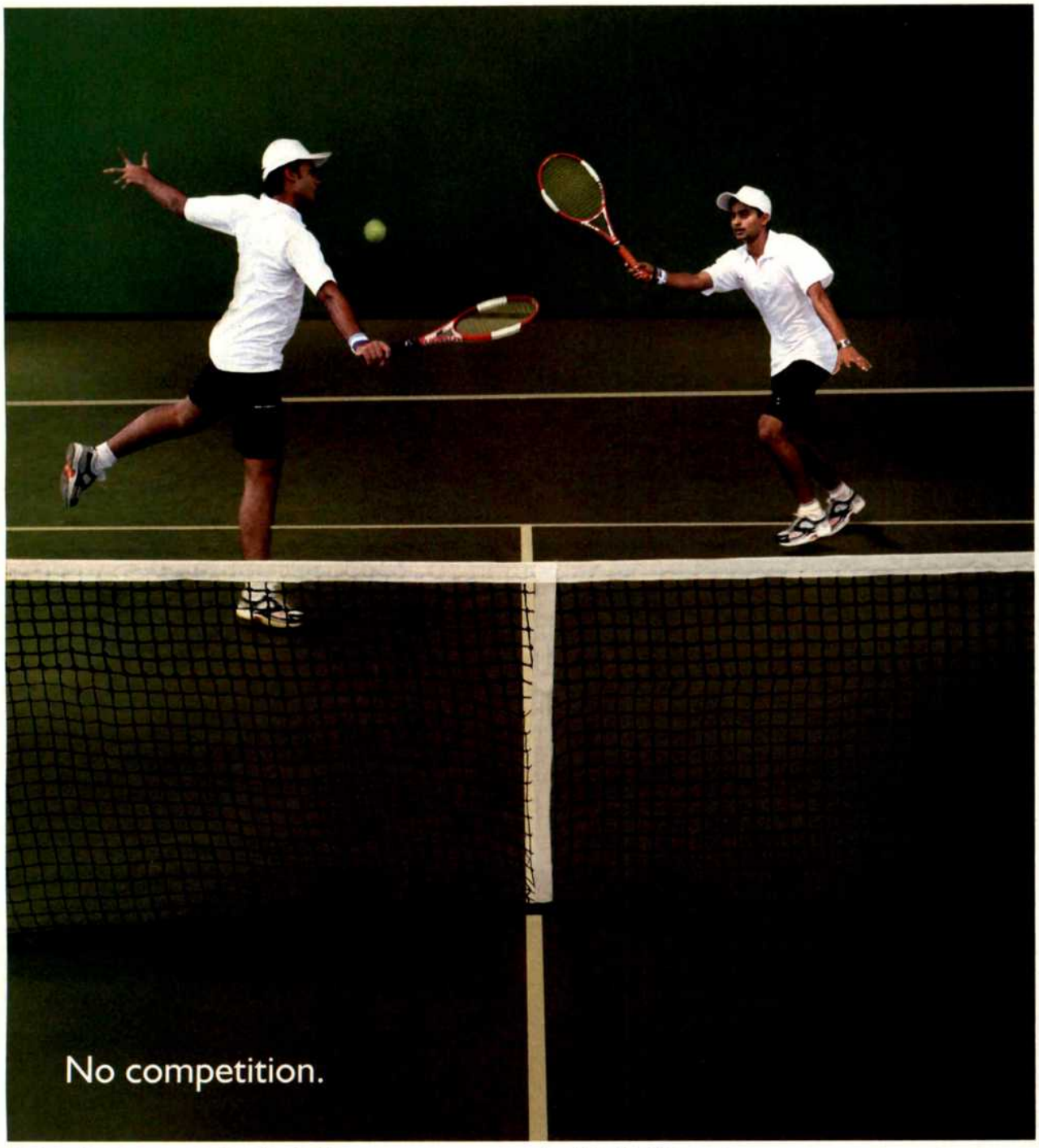
In July, the EAC had recommended a mix of three instruments to deal with the rising rupee — absorption into reserves followed by sterilisation, facilitation of capital outflows by easing restrictions and letting the rupee rise. In the latest review, it has recommended sterilisation for the rest of the year.

The EAC attributes the slowdown in the industrial, especially manufacturing sector, to the slump in the consumer goods segment, which, it explains, has plateaued on two counts — the deliberate high-interest rate regime has produced the intended cool-off in the sector and its cyclical nature. "Looking ahead, there could be a pick-up next year, but even if the interest rates are cut, since people do not buy refrigerators and cars every year, the rate of growth of past years may not be seen," Rangarajan said.

The other areas of concern include the power sector. Addition in installed capacity is falling short of target, making it impossible to close the severe supply-demand gap. The EAC is also concerned over a more than 2 per cent gap between the wholesale and consumer price inflation; wholesale inflation is under control, consumer prices are higher than desirable. Appreciating the buoyant tax revenue, it pointed out the sluggishness in the excise duty collections.

Unfavourable monsoons, power shortage and the impact of Sixth Pay Commission's recommendations on the fiscal situation could, the EAC says, pose risk to the projected growth.

puja.mehra@abp.in



Malayala Manorama's circulation zooms to a massive 15,40,451 copies.
The competition, understandably, is nowhere in the picture.
Now with an unassailable lead of 4,58,183 copies, Malayala Manorama continues to be Kerala's No. 1 daily. Unchallenged, as always.

TBWA\INDIA

Source: ABC Jan-Jun 2007

Malayala Manorama
Nobody delivers Kerala better

Launch First, Fight Later

by Gauri Kamath

Cipla and Roche fight a patents battle that can set a precedent

THE DELHI HIGH COURT IS CURRENTLY HEARING A high-profile patents lawsuit that has the potential to change the rules of the game in India. In a first, Mumbai-based drug maker Cipla has launched a copycat or generic version of a drug with the full knowledge that the original has been patented in India. The product is lung cancer drug erlotinib marketed here by Switzerland's F. Hoffmann-La Roche under the brand name Tarceva. Last week, Roche claimed patent infringement and asked the court to restrain Cipla from hawking its copies. Cipla, media reports say, will use the opportunity to prove in court that Roche's patent should not have been granted in the first place. At Rs 1,600 a tablet, Cipla's drug costs a third of Tarceva.

So far, companies or other entities like non-governmental organisations have opposed patents in two ways. One is by objecting to a patent application when it is being examined in the Indian Patent Office. Called 'pre-grant opposition', this is allowed under India's patent laws. Over a hundred such oppositions are being made and heard. Some drugs on which patents have been challenged pre-grant are AstraZeneca's cholesterol reducer Crestor (opposed by Ahmedabad's Torrent Pharmaceuticals) Eli Lilly's Cialis (opposed by Mumbai's Ajanta Pharma), and Pfizer's anti-fungal Vfend (opposed by Gurgaon's Ranbaxy Laboratories). Second, the Indian patent law also allows opposition to a patent after it has been granted. This is called 'post-grant' opposition. Mumbai-based drug company Wockhardt, for instance, objected to a different Roche patent — on the hepatitis C drug Pegasys — in the patent office, after it had been granted. In a broad sense that is what Cipla is doing — opposing a patent 'post-grant'. But Cipla has chosen a far more provocative, and Roche's lawyers argue illegal, route. It has first launched its copycat thus courting a lawsuit, and will now argue its case of patent invalidation before a court of law. Roche and Cipla refused to comment on the case since it is sub judice. However, Amar Lulla, joint managing director of Cipla, confirmed to *BW* that it had launched erlotinib a few weeks ago. "It is available with the trade," he said.

Cipla has supporters. "There is nothing remotely improper about Cipla preparing to launch a generic if it has concluded that Roche's patent is invalid," says Frederick Abbott, professor of international law at the Florida State University College of Law. "Patents create a legal presumption in favour of the patent holder, but they remain susceptible to challenge and invalidation. That is the way the patent system is designed," he says. Abbott was adviser to the South African government in a famous lawsuit brought by 39 multinationals against the country's patent laws. It was eventually dropped.

But some believe that Cipla has weakened its hand. By not opposing the patent through the usual channels, and directly launching its copy, it may convey the impression that "it does not respect the law", says Shamnad Basheer, a New Delhi-based associate of the Oxford Intellectual Property Research Centre who runs a popular blog on patents. "This infringement strategy might backfire against them in court." Basheer points out that Cipla does not seem to have approached the patents office with its opposition prior to this. Nor has it sought a licence, such as rival Natco Pharma of Hyderabad, from Roche in exchange for royalty payments. At the time of writing, the court had yet to finish hearing the case though proceedings began last week.

Cipla's audacious move has doubtless caused consternation among companies who hold patents or have applications pending. The question on everyone's mind is if Cipla get its way, will it open the floodgates?

BLOOMBERG

ORIGINAL SIN? Cipla has copied Roche's Tarceva, and is selling it cheap

gauri.kamath@abp.in

Mahatma

(1869-)

A Mahatma lives in each of us.

All we need is to truly *believe* in ourselves.

In our individual potential.

In *the power of one.*

On the occasion of the 60th death anniversary, on January 30, let us pay homage to the greatest man we've known and resolve to make a difference to our nation. Let us each unleash *the power of one.* And continue forever, the legacy of the Mahatma.

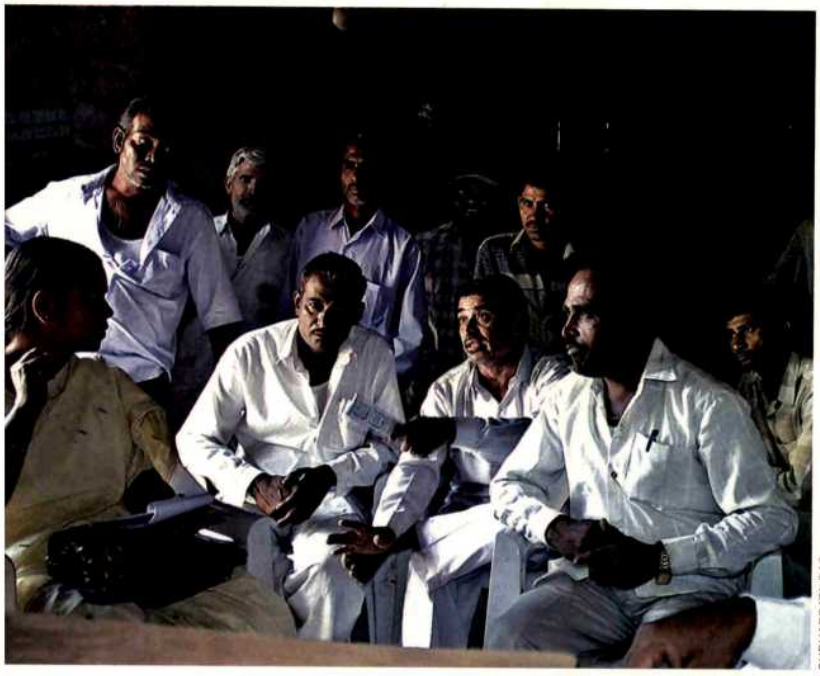
If you or someone you know has made a difference, share it with us at powerofone@aig.com

AIG®

A public service message by AIG India, as a tribute to Mahatma Gandhi.

Funds In A Sieve

by Puja Mehra



SUBHABRATA DAS

THE DEAD END: Rahul Gandhi says only 5 paise in a rupee reach the end beneficiaries

Allocating funds without plugging the loopholes is useless

IF THERE WAS A LACK OF PROOF FOR INDIA'S LEAKY delivery mechanism, the Comptroller and Auditor General's (CAG's) audit of the tardy implementation of the UPA government's flagship *aam admi* offering, the National Rural Employment Guarantee Scheme (NREGS) has provided hard-to-ignore confirmation. The question is: will the UPA rein in its profligacy involving tax payers' money or fix the leakages in the last year of its tenure?

The audit of 68 of the 200 districts in which the scheme was rolled out in the first phase found rampant siphoning off of the funds disbursed to the state governments. Yet, typically the Centre has diverted public focus from the audit's more significant findings to a debate on the number of jobs provided. Against the scheme's statutory guarantee of 100 days of work a year as social security to every household, the audit found that NREGS provided on an average jobs only for 18 days. According to the CAG's report, between February 2006 and March 2007, barely 3.2 per cent of the households that had registered got jobs.

Yet, all that Minister of Rural Development Raghuvansh Prasad Yadav says in defence is that employment provided should be measured against the number of households that sought jobs rather than all those registering for them. This way, NREGS becomes a success as it has provided jobs to 2.10 crore households against a demand from 2.11 households, generating 90 crore persondays. The minister admits to misgovernance at the state level in implementation: "FIRs against errant officials have been lodged in several districts, including Kalahari (Orissa), Dhar (Madhya Pradesh) and Madhubani (Bihar). A district collector has been suspended in Chhattisgarh."

Sporadic actions such as this, however, are unlikely to resolve the structural and systemic shortcomings in the delivery mechanism. Commenting on which Congress general secretary Rahul Gandhi said last week that though his father and former prime minister Rajiv Gandhi had in the 1980s famously admitted to the government's helplessness in the face of only 17 paisa in a rupee reaching the target beneficiaries, the situation now is of a delivery rate of 5 paise in a rupee.

The UPA government allocated Rs 15,000 crore to the NREGS last year. Of this, states — the implementers of the scheme —have spent Rs 10,000 crore. Flush with funds on account of buoyant tax collections, Finance Minister P. Chidambaram announced the UPA's decision to extend the much-touted programme to 330 districts in the Budget 2007. He also allocated Rs 12,000 crore more to the NREGS. The finance minister is unlikely to be able to restrict allocations in the budget 2008 — the UPA regime's last for this tenure.

CAG's findings, however, establish that throwing money at problems can not be the solution to India's quest for inclusive growth as long as the punctured delivery system is not reformed — something the UPA has not attempted yet. Though that would not be enough reason to wind up social security schemes or choke fund flows.

Chidambaram has consistently refused to comment on the pilferage of tax-payer's money flown to NREGS and other poverty alleviation schemes, saying that while it is his job to provide the funds, the implementation and the last-mile delivery rests with the states and other administrative ministries. That is no different from knowingly pouring revenue down the drain in the hope of in the hope of generating votes rather than alleviating poverty.

puja.mehra@abp.in

A Few Dollars Less...

by bill emmott

ONE OF THE MOST FAMOUS SAYINGS ABOUT investment came from a founder of the Rothschild banking family, Baron Nathan Rothschild. In the early 19th century, when Europe was riven by war, he said, "The time to buy is when blood is running in the streets."

Fortunately, most investors do not go about looking for blood. But his point applies during peace as well as war: markets are emotional entities, and the best time to get a bargain is when pessimism is at its height.

Today, this is especially relevant to the dollar, which has fallen against the euro by a fifth in the past two years. Against a trade-weighted basket of currencies, it has fallen 6 per cent since August 2007. Commentators and policy makers warn of a collapse in the dollar and its end as the world's leading reserve currency. Some of this is based on what in German is called *schadenfreude* — pleasure at the misfortunes of others. But some is also based on economic concerns. Nevertheless, those concerns look misplaced.

...does not a catastrophe make. A fall in the dollar's value and share in global reserves could well be good news

There is one plausible argument for why the dollar could fall further, even rapidly. But it is equally plausible that, against most currencies except those of China, Japan and the oil producers, the dollar's fall has ended. The second fear is easier to handle: this decline will not end the dollar's status as the leading reserve currency, but will diminish it, which could be good news for the world and the US.

The plausible argument for a dollar crash is based on the fact that Asian central banks and oil producers hold vast piles of foreign-exchange reserves in dollars. China has $1.4 trillion, Japan, more than $900 billion, and other Asian countries, $1 trillion. The dollar's decline is eroding their value, which could tempt central banks to sell dollar assets and buy other currencies. If so, central banks would want to get in first to get better prices, and there could be a stampede.

In principle, it could happen. In practice, it is unlikely. The reserves have accumulated because the Asian governments do not want their currencies to appreciate against the dollar. A stampede would mean rapid appreciation, which they would oppose. Central banks are not profit-maximising investors. They have other goals, especially financial stability.

In fact, it would be better if currencies of Asia and oil producers did appreciate faster, as long as the movement is not violent. Some relaxation of central banks' recent policies would help remedy the financial imbalances that have built up, between the US with its big current-account deficit and the big current-account surpluses in China, East Asia and the Middle East. In such circumstances, the dollar might rise against the euro but fall against the yen and the Chinese renminbi. If this adjustment happens in 2008, it will be good news. It is also likely that the share of world foreign-exchange reserves held in dollars will decline from its current 65 per cent. But this, too, would be healthy.

During the 1980s, the dollar's share of foreign reserves declined to less than 50 per cent as central banks increased their holdings in yen and deutschmarks. It rose back to its current level as the dollar's value rose, Japan's economy declined, and uncertainty grew about the new euro. Now, the dollar's share could well return to 50 per cent or below. But the question is: why should this matter to anyone except statisticians?

The answer: it won't matter at all. The status quo, 65 per cent reserves in one currency, is unwise: Baron Rothschild would never have advised investors to hold that much of their portfolio in one currency. Central banks should hold more in euro, yen and, once it is made convertible, in renminbi.

This will reduce the dollar's 'hegemony', but it will not damage the US. The only benefit the US government gets from the dollar's reserve role is the ability to borrow in dollars rather than in foreign currencies, avoiding any currency risk on its debt. But that will still be true if the dollar's share declines to 50 per cent or even 40 per cent of global reserves. A smaller role in world reserves would mean fewer countries will choose to peg their currencies to the dollar and to follow US interest rates, which might well help American trade adjust more smoothly to market conditions and would remove a constraint (admittedly a small one) on the monetary policy of the Federal Reserve.

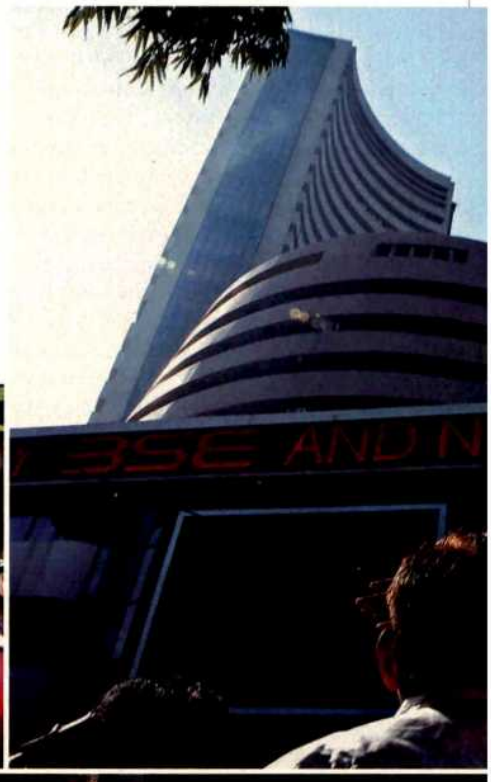
So, pessimism about the dollar may have reached Baron Rothschild's peak, but even if a further decline occurs, it will not be a disaster. The economic story of 2008 is likely to be a US recession or sharp slowdown, with consequent pressures for adjustment in China and other big exporting countries. Compared with that, the dollar's fate is largely a sideshow.

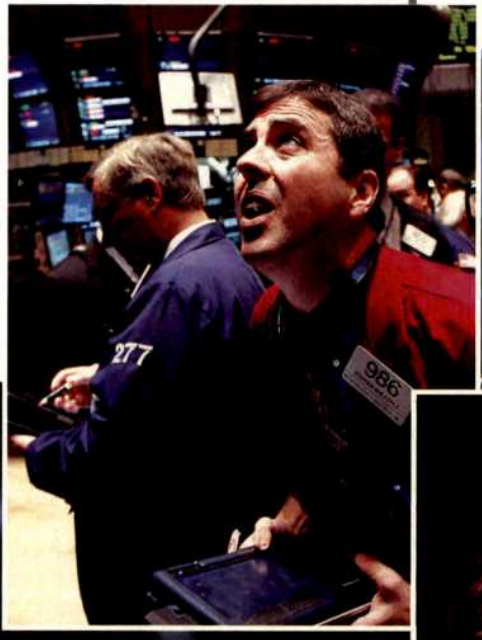
The author is a former Editor of The Economist.
policyworld.bw@gmail.com

The (First) Crash Of 2008

SRIKANTH SRINIVAS WITH RAJESH GAJRA & PUJA MEHRA

Investors, **speculators** and **brokers** — all were **decimated** as markets crashed round the world





PHOTOGRAPHS: SUBHABRATA DAS & AP

THE CHINESE HAVE A MAXIM: MAY YOU LIVE IN interesting times. This week, the times were not just interesting, they were terrifying. If greed was the dominant factor in the market's meteoric rise of seven percent between December and January, it is fear that has been palpable in the last few days. On Monday, stock markets around the world fell like at no other time in recent memory: from London to Tokyo, markets fell precipitously by over five per cent across the board, often at the rate of two per cent a day. Among the developed countries, the greatest percentage falls were in markets like Ireland and Sweden. And this time, the crash was not sparked by the Unites States: Monday was a holiday there.

In the coming weeks, observers and analysts will pore over data and charts trying to figure out how it all happened. In India, after the dust settled on Wednesday, and a certain degree of sanity returned, many people said markets were overdue for a correction. Some correction. Asia was down by 10 per cent off its highs early this year, and India down by about that number. "It has been a long time coming," says Rashesh Shah, chairman and chief executive of Edelweiss Capital. "Once again, risk is being repriced." Does that mean that the Indian market, which considered itself insulated from global events, is not that isolated after all?

None of the brokers BW spoke to were in any position to offer any explanations other than anodyne ones. Many didn't even take our calls. "Our phone lines are tied up taking and making only margin calls," one joked. While many are putting a brave face on it, and shrugging off the recent panic, in the afterhours many admitted to a sense of relief, but tempered by uncertainty and nervousness.

How much of the fall was driven by global changes? The expectation of a serious recession in the US markets is seen as the prime driver, the elephant on the stock exchange floor, so to speak. One thing seems certain: markets in India will take "global cues" – an overused phrase – in the next few weeks.

The second cited factor, a sudden liquidity squeeze – brought about by the very large initial public offering (IPO) subscriptions to Reliance Power and Future Capital Holdings share issues – is expected to reverse itself, and the oil of cash is expected to grease the wheels of the stock-market again. How likely is that? Opinions vary.

Given the carnage, will retail investors be

THE ELEPHANT ON THE FLOOR: The expectation of a serious recession in the US markets is seen as the prime driver, the elephant on the stock exchange floor, so to speak. One thing seems certain: markets in India will take "global cues" — an overused phrase — in the next few weeks. The second cited factor, a sudden liquidity squeeze, is expected to reverse itself

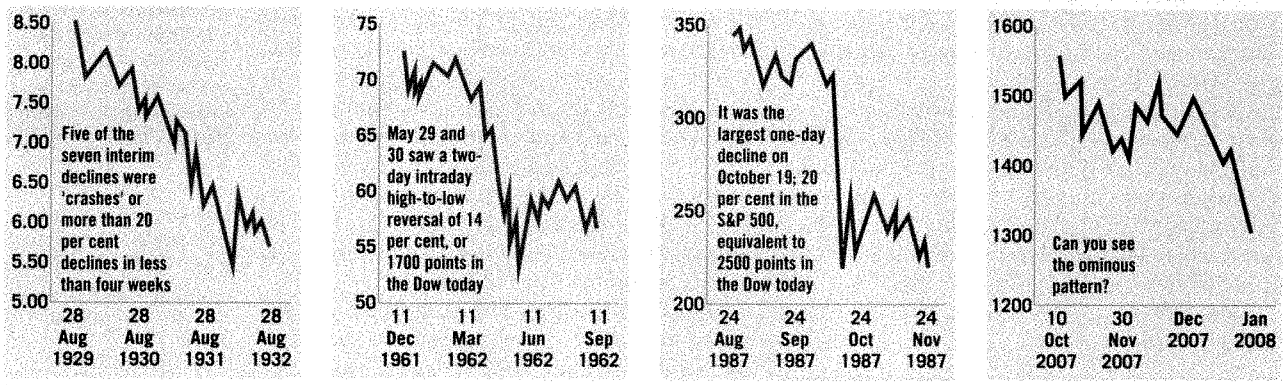
DOWN AND OUT

Indian mid-cap and small-cap indices saw the highest fall

Source: BW research

IS HISTORY REPEATING ITSELF?

The four stock market crashes in the Dow Jones Industrial Averages of the last century look frighteningly similar



Source: Bronson Capital Markets

tempted back by the ostensible bargain basement prices on certain stocks? Going by the anecdotal evidence of retail investor interest prompted by sharp declines in many stocks, there appears to be a degree of optimism on that front. That said, the difficulty that many investors faced trying to execute buy trades in the last couple of days suggests otherwise. In other words, will there be a reassessment of stock price valuations?

The Global Village

For the next few months, the decoupling theory is going to take a back seat. Even if there are no direct transmission effects of economic changes in the US to India, overall market sentiment is still connected. Asian markets are very connected to the US and we are connected to Asia. "There is some confusion about where exactly this decoupling is situated," says Shah. "There may be a decoupling at the economic activity level, but at the market level, there isn't any."

The US markets were not open on Monday, but it was US Federal Reserve Chairman Ben Bernanke's testimony on Capitol Hill last week that sparked off fears that the recession in the US had already arrived. Some US firms are behaving as if it already has, anyway. Richard Fairbank, chief executive officer of Capital One, one of the largest credit card issuers and lenders in the country, said in a conference call with stock analysts, "We are managing the company as if a recession was already here."

The Fed has cut interest rates, which is expected to bolster a financial system plagued with writedowns by large American banks. In addition, the US Treasury Secretary Hank Paulson said on Tuesday – ahead of the Fed rate cut – that the Bush administration would present a $145 billion fiscal stimulus package to the US Congress for ratification; the hope is that the package would restore confidence and persuade consumers to spend more.

But not everyone believes that such consumers will be so persuaded. US consumption is expected to shrink by $350 billion; that's twice the total exports from China to the US in 2006! That is likely to throw any belief on decoupling, both in terms of economic activity or market integration, out of the window.

So does that mean that the Fed rate cut will make no difference in falling markets? An India Strategy research report by Merrill Lynch suggests that coordinated action by central banks could possibly help sustain the mild rally that began on Wednesday. However, that is not likely, given that both the European Central Bank and the Bank of Japan have stuck with leaving policy interest rates where they are.

And now there appears more bad news on the horizon. Economists in Europe are talking about a recession in the largest economy in Europe: Germany. BW will go to print by then, but on Friday, the International Monetary Fund will release an interim report on the world economic outlook; maybe there's more bad news there too. All of which cannot be good for global stock markets.

A Bit Of Liquidity On Your Side

There is little doubt that there has been a liquidity seizure, stemming from a variety of causes. The Reliance Power IPO over-subscription sucked out substantial amounts of cash money out of the market.

Second, a look at the numbers for December and early January seem to indicate that FIIs drew out about $1.5 billion out of the market. Most foreign investors use the year-end sales to meet redemptions and also to book some profits. On a net basis (purchases minus sales) in the cash market, FIIs sold Rs 3,296 crore on Mon-

day, Rs 4,265 crore on Tuesday and Rs 3,021 crore on Wednesday. Such high net sales by FIIs are unusual and have been seen only once or twice in the past.

Third, the broking fraternity got squeezed. The liquidity withdrawal out of the system, combined with the crashing market put two kinds of pressure on them. On the one hand, their clients were much slower in meeting margin calls – if they did – and when brokers sold the stocks held on those very client accounts into a falling market, they were doing so at much lower price levels.

"When brokers give trading limits to their clients, they normally keep a tight cushion but those who would have given exposure limits to clients going as high as upto 20 times the clients' upfront deposits would have had difficulties," says Seshadri Bharathan, director of Dawnay Day AV Securities, a broking firm on the NSE.

On the other hand, as markets continued to fall, and the value of their collateral (stock used as margin with the stock exchanges) and the positions that broking firms held on the exchanges both had to be marked to market; the mark-to-market margin is only in cash, to which the exchange can add on an ad hoc margin, which makes the squeeze tighter. Result: more selling pressure and more fire sales, driving the indices down further. "The brokerage business is very working capital-intensive," says a broking firm head. "And the retail margins are not adequate in a market crash situation." That's not all.

"High-value cheques from clients issued on some banks and from some areas in the city can take up to three days to get credited into brokers' clearing accounts," says Mrugank Sanghvi, sub-broker with Jagvin Investments, an NSE broking firm. Estimates suggest such clearing delays affect about Rs 200 crore worth of margin payments.

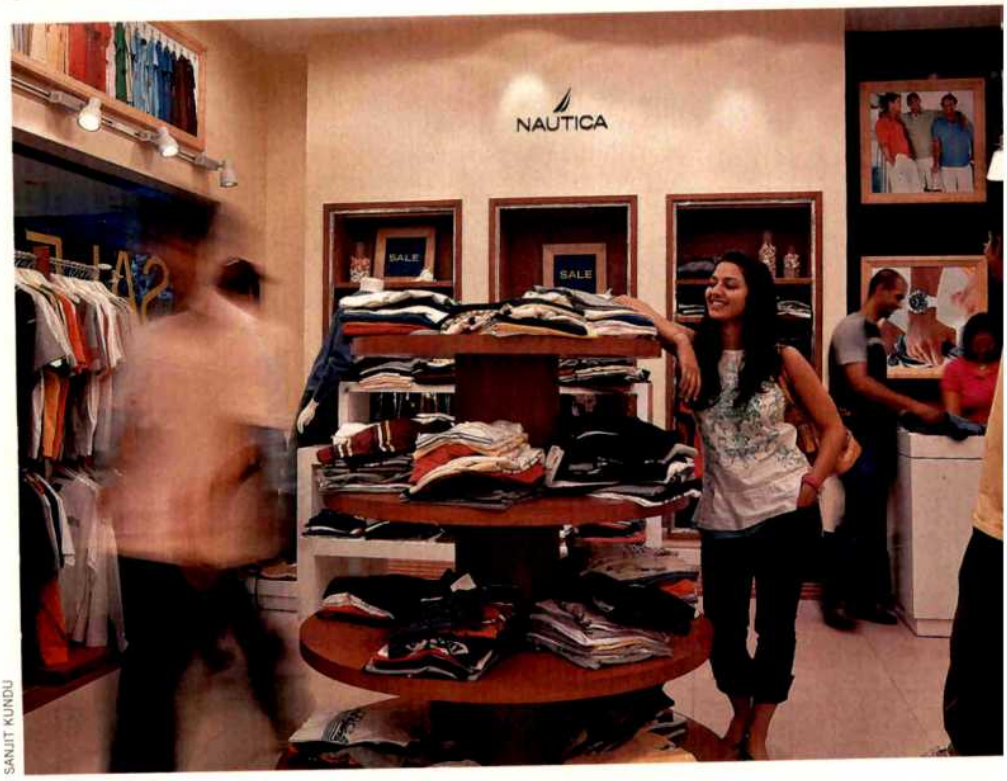
The numbers tell the story. Net sales by brokers on their proprietary account skyrocketed, upto Rs 534 crore on both the NSE and the BSE. Compare that to normal condition when brokers' proprietary trading net purchases or net sales figures normally fluctuate in the Rs 10-100 crore range.

No Retreat, No Surrender

Has the market sell-off forced investors to reassess valuations of what may be highly priced shares and tread with caution? Hardly. Strangely enough, anecdotal evidence suggests that far from being scared off, retail investors have sought to take advantage of falling markets to try and buy where they see opportunity.

But 'technical' problems have prevented the execution of buy orders. Lalit, 22, a unit manager at ICICI Securities in Delhi wanted to buy NTPC shares on Wednesday. "Normally, these purchases take about 20 seconds, but my broker could close the deal only about a minute and a half later, by when the share price had moved to Rs 185 from Rs 170 per share," he says. Lalit, a regular investor, has a portfolio of about Rs 2 lakh and had to cough up a margin of Rs 50,000 to keep it. "Luckily I'd increased my cash position in early January or I would have lost my portfolio for non-payment of margins," he says.

Similarly, D. Roy, 35, a resident of Delhi's Prasad Nagar, wanted to buy GMR stock — at Rs 130 per share — but his ICICI Direct account took terribly long to execute the deal. By the time it went through, the price had moved to Rs 147 per share. Others complained of brokers not helping. Jai Bharat, 25, an employee at HCL, paid up a margin of Rs 1 lakh to hold on to his 1,100 shares of Essar Oil but it fell short, and Bharat's broker disposed off his shares giving him barely Rs 50,000 in return. But despite all

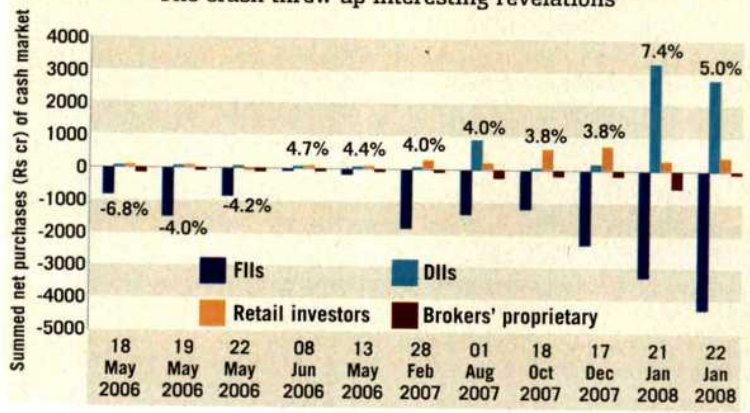


SANJIT KUNDU

ALL ELSE OKAY: The stockmarket crash is no indicator of the general economic scene in the country as sectors such as retail continue to flourish even when markets don't

TRADING BEHAVIOUR ON CRASH DAYS

The crash threw up interesting revelations



Source: BSE's website

THE GREAT EXODUS: Net sales by brokers on their proprietary account skyrocketed, upto Rs 534 crore on both the NSE and the BSE

this, none of them is giving up on the market.

Newspaper reports have suggested that the NSE's forced shutting down of brokers terminals may have been partly to blame for the technical problems. In the finance ministry's on-going assessment of the crash, one refrain is that several investors' buy and sell orders were not transferred to the system because the exchanges had shut terminals on non-payment of margins. "So investors have the money to buy but the broker is not in a position to execute," said a finance ministry official. The Securities and Exchange Board of India (Sebi) has written to the stock exchanges and some brokers to verify this.

Will Liquidity Flow Again Soon?

To enable liquidity to return to the markets, Reliance Power and the merchant bankers to the IPO are said to have written to Sebi to allow early allotment of one category of applicants: qualified institutional buyers, or QIBs. They are just a small fraction of the total applicant pool, and 65 per cent of the issue was reserved for them; the rough numbers indicate that the number of applicants in this category is about 100,000, but will constitute a significant chunk of the refund money (the issue was oversubscribed 72 times).

The merchant bankers appear to have suggested that the refunds could flow back into the markets and stabilise it somewhat; the amount is not considerable, about Rs 60,000 crores, according to a merchant bank close to the issue. Under present rules, allotment has to be completed in 21 days — a garangatuan task when you consider that there are about 5 million applications to process what is arguably the largest IPO ever.

Is there a likelihood of the company seeking an extension of the period to complete the allotment process? Given the size, that is a possibility, though the registrars to the issue are working 24/7 to ensure that they meet the deadline. A lawyer with capital markets experience that *BW* spoke to says that Sebi has the discretion to allow completing allotment of a part of the issue. That said, there is no precedent for such an action. The markets regulator will have to be cognisant of the consequences of such a step.

There is nothing that prevents other categories of applicants from protesting such a step. What is also not clear is whether there is a penalty for not completing the allotment in the specified time. Could Reliance Power be forced to pay interest on delayed refunds? The numbers could be huge, given the amounts collected. Company officials were not available for comment on the issue.

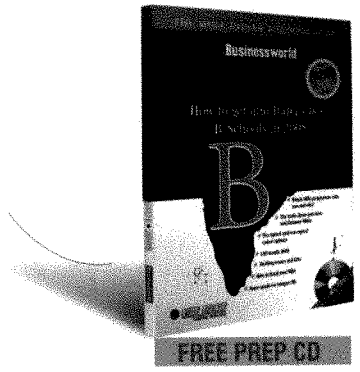
The only ones sitting pretty are the banks that have collected this money and are holding several thousand crores in interest free deposits for 21 days. True, banks benefit from having these cost-free deposits. The opportunity cost in float interest saved for banks for issues of the size of Reliance Power can be phenomenal, as much as Rs 200 crore. And there have been reports in the past of banks routing part of that interest to firms whose IPOs have been over-subscribed (see Uncaging the Smile, *BW* July 23, 2007).

After a recovery on Wednesday, stock markets fell again on Thursday, perhaps underlining the fragility of the recovery. Each market crash throws up fresh questions about the real versus perceived depth of the market, investor risk appetite and the structural issues that need to be addressed: in this case, whether brokers need to be better capitalised in relation to the amount of business they undertake. The answers should matter to all: regulators, investors and intermediaries.

srikanth.srinivas@abp.in

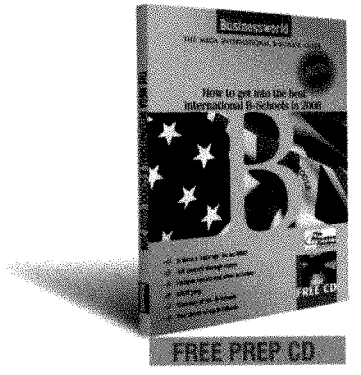
These books will get you into a B-School.

Indian or international, it's your choice.



The topics covered include:
- How to choose the right B-Schools
- Studying in India
- Preparing for CAT & other Indian MBA tests
- Preparing for Indian MBA
- Directories

Price Rs. 150/-



The topics covered include:
- How to choose the right B-Schools
- Studying abroad
- Preparing for GMAT & other foreign MBA tests
- Preparing for foreign MBA
- Directories

Price Rs. 175/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order of "Businessworld B-School Guides 2007", fill this form & mail it to us:

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: Indian ☐ 1 copy for Rs. 150 ☐ 5 copies for Rs. 675/- (10% bulk discount) International ☐ 1 copy for Rs. 175 ☐ 5 copies for Rs. 788/- (10% bulk discount)

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170. e-mail: businessworldsubscriptions@abpmail.com

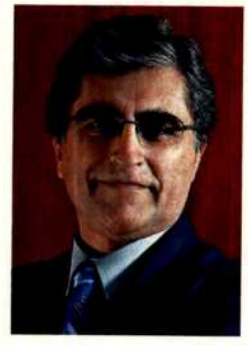
Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

The Politics Of Business

by gurbir singh

IS IT SURPRISING THAT POLITICS SHOULD PUSH its way into the media business? The Foreign Investment Promotion Board (FIPB) has cleared a watered-down proposal by private equity firm Blackstone to invest $150 million (Rs 600 crore) in the Eenadu Group's Ushodaya Enterprises (UEL). But Blackstone, it appears, has had second thoughts. The original private equity proposal for a 26 per cent stake for $275 million (Rs 1,100 crore) in the powerful media baron N. Ramoji Rao's Ushodaya has been blocked for over a year. In fact, the Ushodaya-Blackstone agreement expired at the end of December last year. Blackstone has now decided that discretion is the better part of valour and decided not to renew even the second proposal.



Blackstone Private Equity's proposed investment in Ushodaya Enterprises faces political opposition

Even the smaller $150 million deal, had it gone through, would have been India's single largest equity deal in a media company. (The record for the largest deal was the Rs 360 crore paid by by Anil Ambani's Reliance ADAG for Adlabs). The Hyderabad-based Ushodaya owns most of Ramoji Rao's media and business empire — India's largest circulated Telugu daily Eenadu, magazines, a dozen odd TV channels and the popular Priya Pickles brand. Based on the valuation it would have gotten from the Blackstone investment, Ushodaya had planned to launch an initial public offering. Now, that may have to wait for a more opportune time.

On the face of it, the Blackstone deal is a victim of the political machinations in Andhra Pradesh (AP). Eenadu has been a long-standing critic of the Congress Party and now of AP chief minister Y. S. Rajasekhara Reddy. The campaign against Blackstone's investment is led by a Congress heavyweight from AP, Arun Kumar Vundavalli. The MP from Rajmundry has led a dogged effort against the deal. Even after the FIPB okayed the $150 million equity sale, Vundavalli said he would legally challenge the order. His list of reasons includes questions about the end use of the funds. He has even argued that the deal could be against national security since Blackstone has sovereign Chinese investments!

But the reason for lack of closure on the deal may lie elsewhere. At the center of the controversy is another financing exercise. Ramoji Rao is raising Rs 2,200 crore in fixed deposits for another of his companies, Margadarsi Financiers. The Ushodaya promoter failed to register this company and positioned it as a Hindu United Family (HUF) trust. Vundavalli seems to have cornered Ramoji Rao on this. A HUF trust can only raise money from relatives and friends, not from the public. Blackstone — or so it is believed — seeing the problems, decided to end the deal. After all, the private equity firm has other investments waiting, and obviously does not want to run afoul of the Congress government.

For Andhra's regional Congress satraps, this is obviously payback time. The Eenadu Group backed the Telugu Desam and N.T. Rama Rao's rise to power and the decimation of the Congress over a decade ago. The regional Congress also wants to checkmate any attempt by the Eenadu group to become an anti-Congress powerhouse once again. A Blackstone investment in a Times Group company or in Jagran Publications would have hardly excited the ire of Vundavalli.

This story is full of twists. It is ironic that Eenadu's chief promoter N. Ramoji Rao should be now fighting for a piece of the Blackstone fund. Some will remember he was one of the most visible leaders in the campaign against allowing foreign direct investment (FDI) in print. It has now emerged that Eenadu and many other large print media groups took the anti-FDI stand more to ensure their monopoly over their respective markets rather than for ideological reasons.

There seems to be some rumbling that the cancellation of the Blackstone deal will send wrong signals to investors, and that 'political meddling' would make foreign capital and investors shy away. But that is not likely to happen. International firms like Blackstone are fully cognizant of political minefields and have learnt to navigate their course through them well. It's just that they underestimated the anti-Ramoji Rao camp in this case.

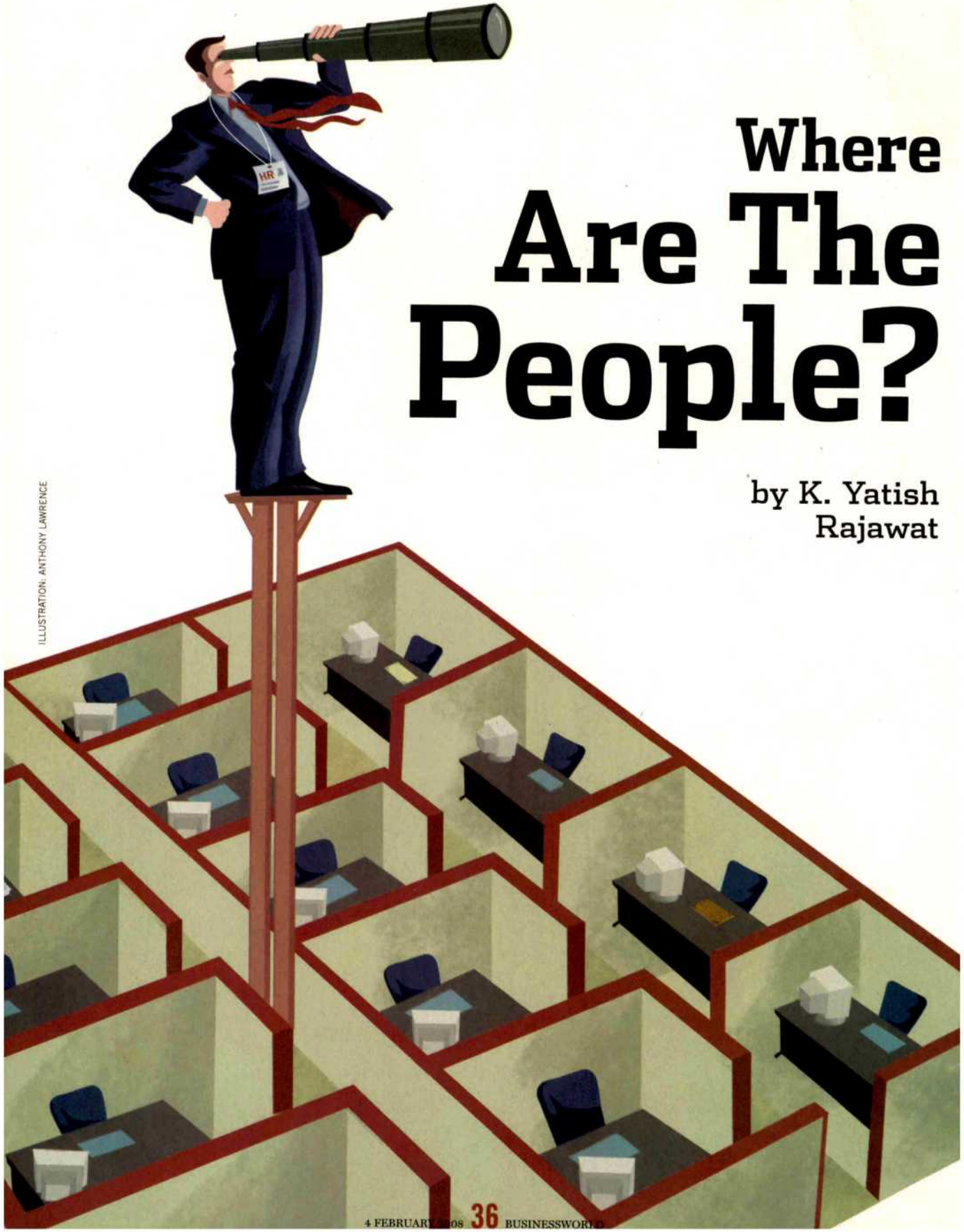
Political considerations sometimes intrude in what may be purely commercial transactions. Even the most free market, the United States, is no exception. In 2005, US regulators refused to allow the Chinese to take over oil major Unocal. Similarly, Dubai Ports had to sell all its US operations after its acquisition of P&O Ports set off a campaign that the company was a 'security risk'. Wish it away if you will, but politics will always be business' handmaiden. Businessmen can only hope that she does not get too intrusive.

gurbir.singh@abp.in

BW

SALARY SURVEY 2008

36 The Big Picture
42 Methodology
44 Auto
46 Auto Components
50 Advertising & Media
52 Banking
54 BPO
56 Business Services
60 Financial Services
62 Infrastructure
64 IT
66 Manufacturing
70 Pharma & Chemical
72 Retail
74 Perks & Perquisites
78 Column By Monisha Advani
80 Recruitment Industry
84 Training Industry



Where Are The People?

by K. Yatish Rajawat

ILLUSTRATION: ANTHONY LAWRENCE

The HR function gets its due recognition as a critical element for growth as companies across industries face a run on talent

ARVIND AGARWAL, THE president of Mumbai-based RPG Group and head of its human resources (HR) function, says, "Our chairman (Harsh Goenka) spends as much as 30-35 per cent of his time on HR initiatives. HR is not a support function, but a business driver in our group." Even if Goenka devoted half that much time, that's saying a lot for a person who heads a $3-billion enterprise with more than 20 companies in sectors as wide ranging as software and power transmission. That also says a lot for the importance of HR today. HR has become strategic, because capital is now an easily available commodity, but people are not. So, the only constraint to growth is people. And that is a new problem for Indian companies.

Agarwal and Goenka are not alone. HR has acquired a different hue across corporate India. "Now, HR is actively involved in all strategic decision-making of organisations," says Degala Subramanyam, HR head of Minda group, a mid-sized auto-components company in Delhi.

This change, and the fact that the HR budget is now about plan-for-growth and not plan-for-cost, drove the 2008 edition of *BW*'s salary survey beyond giving figures on salary or growth. Along with Emmay HR — India's second largest recruitment firm and part of the European Randstad Group, the world's third largest employment services company — *BW* has made the survey more comprehensive by covering costs, compensation and benefits across 12 sectors.

However, while HR has moved up the value chain, there is still conflict within boardrooms and with other functions such as finance and marketing on the importance given to it.

The First Sign Was People

The rising importance of HR was first noticed when key professionals were hired or shifted to the function. In May 2006, T.V. Mohandas Pai, then the CFO of IT bellwether Infosys Technologies for 12 years, was made its HR chief. Expectedly, whispers about Pai being demoted did the rounds. But in the noise of conspiracy theories, a fact was forgotten. Infosys hired more than 25,000 people in the year Pai took over, and growth was dependent on these people, not on financial innovations.

Several companies followed suit and, today, many groups have HR heads who are top performers and are not necessarily from within the HR function. And it's happening in the opposite direction as well, with HR heads also moving into business roles in progressive companies.

Take, for example, Hyderabad-based Satyam Computer Services, a top five IT services company in India. S.V. Krishnan, who headed its largest business unit, GE business for several years, was chosen to lead Satyam's HR function in 2007. He replaced Hari T., who after six years at the helm of HR, moved on to an equally, if not more, strategic role as head of marketing.

The change is taking place even in conglomerates. Lav Shelat, who heads HR at Delhi-based Avantha Group, a $ 3.5-billion group led by Gautam Thapar, came from Motorola Canada where he was regional head of HR. And Vineet Chhabra, whose position was taken by Shelat, actually moved on to head a group company — Global Green, a maker of pickled gherkins that services customers across 23 countries.

This changing role of HR in Indian companies has, apart from bringing about a mindset shift, led to a recalibration of budgetary planning for the function.

Changing Contours Of The HR Budget

Planning an HR budget? That might have been an incredulous query in the recent past, when it was only about taking current salary cost and projecting it for next year. Now, however, planning an HR budget is a complex job, as there are several new components to it. Says Avantha's Shelat, "Top management has become very involved in planning the HR budget."

That level of involvement has come about because an HR budget today has to factor in components such as recruitment costs, retention costs, alternative compensation plans, and employer branding initiatives. Given that these components were insignificantly small in earlier years, it's not surprising that, in pure rupee terms, they are growing at anywhere between 15 per cent and 25 per cent every year.

Take recruitment costs, for instance. A few years ago, all you needed to do to hire people was advertise in a popular daily newspaper. Today, it's about hiring the right recruitment

agency. The cost of hiring such agencies includes a retainer fee and 30 per cent of the new employee's annual salary.

Such high costs have sent budgetary allocations soaring, and have resulted in companies scurrying to find alternative channels of recruitment to save money. "Our internal employee reference programmes get us as much as 30-35 per cent of our employees," says Mandeep Maitra, country head for HR at Mumbai-based HDFC Bank. "We are also actively engaged with job sites. These initiatives have helped us control our recruitment costs in a major way."

A new, sizeable component in HR budgets is training cost. Expanding companies are hiring entry-level employees from other sectors or small towns. Such employees typically need more training before they can be deployed. The retail sector is hardest hit by this problem.

ATTRITION RATES

Sr. No	Sector	0-3 yrs	4-7 yrs	8-12 yrs	13+ yrs	% change from 2006 to 2007	Expected increase in 2008
1	Pharma & Chemicals	25%	10%	5%	2%	-5%	6%
2	Manufacturing	8.58%	2.46%	2.46%	3%	5%	-3.50%
3	Financial services	20%	20%	20%	20%		
4	Hospitality	35%	25%	20%	7.50%	13%	20%
5	Ad & Media	40%	35%	20%	15%	17%	22%
6	BPO	40%	30%	20%	10%		
7	Automobile	7%	3%	2%	2%	No visible	14%
8	Auto component	12%	15%	20%	12%	5%	6%
9	Banking	10%	5%	2.50%	2.50%	2%	2%
10	Infrastructure	16%	11%	7%	11%	9%	20%
11	Retail						
12	IT & Telecom	32%	25%	10%	5%	5%	9%

Source: Emmay HR

Here, the customer-facing employees need not be highly educated, but need customer-handling skills. "Our training budget is growing at 15-20 per cent and a major portion of it goes into soft skill training," says Sanjay Jog, chief people officer at Future Group, which runs Big Bazaar, a popular organised retail brand.

HDFC Bank — which has 764 branches in 327 cities in India, and on an average hires more than 1,500 employees per month — has found an innovative way out. It sends back pack trainers to the employees to train them, instead of bringing trainees to a single location.

The need for year-round training has been forced upon companies by high attrition, particularly at the entry level where employees change jobs frequently. Sectors such as IT and BPO have traditionally witnessed 25-35 per cent attrition, but now others are also facing the brunt of deserting employees. Hospitality, advertising and media, even infrastructure are facing high attrition (see table 'Attrition Rates').

Retention, therefore, has become key. "Earlier, the focus in the budget was on compensation, but now other factors have become much more important in terms of their impact on retention," says RPG's Agarwal. "For instance, our learning or development spend is growing at 20-25 per cent for the past three years."

To help retain new employees, companies are insisting on a retention clause with recruitment agencies. Based on this, an agency would get a portion of its fees only if the employee stayed on for a year or six months. Finance, BPO and even IT sectors insist on these terms now.

Companies also have to invest in employer branding to help attract and retain employees. Wooing employees through offline and mainline media advertising, something IT and BPO companies are adept at, is a new challenge for HR heads in other sectors. Now, industrial and engineering companies are increasingly doing the same.

High attrition, resulting in continuous hiring of new employees, has created a vicious circle that companies are struggling with, and has compounded their problem of accurately estimating training and retention costs for the HR budget.

The Way Forward

The modern job market has imposed discipline on companies in terms of planning HR budgets. But it has also forced them to plan long-term to reduce regular and rising training expenses. Some companies are investing in in-house training facilities as capital investment. Services companies such as TCS, Infosys, Satyam, Future Group, HDFC Bank and Genpact are at the forefront of this. Other routes are also being explored. As with HDFC Bank, companies in banking and retail are training employees on site to cut costs. E-learning is also picking up, but is yet to be very effective.

In a growth economy, fast-growing companies have realised that they not only need to attract and recruit good talent, but they need to build a social architecture that allows these employees to achieve their goals within the company. This cannot be done without a strong, well-armed HR function and the top management's involvement. Companies that hear that message will be able to sustain their growth.

SOME DETAILS SHOULD NEVER SLIP OUT DURING MEETINGS

And now, they never will. Because you have the all-new Coupe, from VIP.

It's a twin-section strolly that lets you store both your business and personal items separately. So that you'll never have to worry about revealing your personal secrets to anyone. It also has a detachable laptop sleeve which stores and protects your laptop. And organised pockets for your folders, cables and wires.

NEW

C|O|U|P|E

TWIN-SECTION STROLLYS FROM VIP

"YOU CAN ALWAYS DO MORE, YOU CAN ALWAYS DO BETTER."

Ashwini Deshpande. Founder Director & Principal Designer, Elephant Design, Pune.

When you're starting your own business, giving your 100% is not enough. Multi-tasking holds the key to success. As a designer, businesswoman, writer and academician, I play many roles every day. That's what led my company to become India's premier design house. And that's what I appreciate most in my newest HP printer. Created by the world leader in printing, the HP OfficeJet All-in-One saves precious time and money with its multi-functional print-scan-copy-fax features. While giving me the freedom and flexibility to do what I do best - design the future.

MULTI-FUNCTIONALITY
HP OfficeJet 5610 All-in-One
Print, Fax, Scan, Copy.
Up to 20/13 ppm (Blk/Clr)[1],
100 page memory fax[2].
Rs. 8,999*

PUBLICIS HP-IPG 916/ww 08

VERSATILITY
HP OfficeJet 4355 All-in-One
Print, Fax, Scan, Copy, Phone.
Up to 20/14 ppm (Blk/Clr)[1],
200 page memory fax[2].
Rs. 6,999*

SMS **'HP' to 57575**
Call **3030 4499** (from mobile, prefix your STD code) or
1800 4254 999 (toll free, from MTNL/BSNL lines)
Visit **hp.com/in/officejet**
E-mail **in.contact@hp.com**

Buy
HP CARE PACK
to extend warranty to 3 years.

Now available off-the-shelf for HP consumer peripherals.

• To know more about HP Care Pack E-mail at peace.of.mind@hp.com [1]Dependent upon document type and printer mode; approximate figures. Exact speeds will vary depending on the system configuration, software program and document complexity. [2] Based on standard ITU-T test image #1 at standard resolution. More complicated pages or higher resolution will take longer and use more memory. *Est. street price, taxes and levies extra. Conditions apply. © 2008 Hewlett-Packard Development Company, L.P.

Reading Core Data

by Sanjay Shetty and Mukul Sharma

Most comprehensive survey on compensation in India

THIS ASSIGNMENT WAS CARRIED OUT TO UNDERstand the compensation and benefits trends across the Indian industry so that it can help decision makers get a good idea some insight into planning their HR budgets

EmmayHR was selected as a partner to gather and analyse the data as the second larget recruitment company in the country it has access to information on salaries and benefits, unlike a market research agency which would have to go and get this data.

The country was split into the North, West and South regions and 12 sectors were chosen that represent the professional community across the corporate length and breadth of India. The data was gathered across four levels within every sector so that one is able to see clearly the information right from a junior level in an organisation to the top management rather than just take a median amount for one or two levels across the sector. We have deliberately not covered the East region because there are not enough companies in the target sectors represented in the East and, hence, the data will not be sufficient to match up and may distort the medians arrived for that sector or level.

The data gathering process had a two-pronged sourcing approach, to ensure an automatic cross audit to the data. The first source was gathering information from HR heads from different companies. The second source (which we found the most interesting, "right from the horse's mouth" as they say) was from employees in these target sectors.

The fact that EmmayHR is in the recruitment business it was easy to do this as employees would not otherwise reveal their salaries details to another market research agency. But they were very comfortable in discussing their salaries and benefits with us.

The data collected from the source was an eye opener even for us, and we observed that the actual prevailing salary levels were very different from some of the so called industry benchmarks and all published surveys on the subject. This can be attributed to the natural tendency of an employee to inflate his salary to an outsider.

This also meant that the companies today are very flexible in their allocation of salaries and may be deviating from prescribed grades and levels that they are supposedly adhering to. This does not necessarily mean only a spiraling upward movement in some sector, it was observed that some of the respondents were getting lower salaries than published industry standards!

The 12 sectors were divided into three regions and three companies were selected from each sector and region and each company was divided into four levels. So this means 12* 3*3* = 108 companies and 108* 4 (levels) = 432 * 3 (employees per sector per level) = 1296 respondents were covered in all. Which makes it the most comprehensive survey on compensation in India.

Sanjay Shetty, Dir.-Ops, EmmayHR

Mukul Sharma, Manager, EmmayHR

SYSTEMATIC APPROACH

Survey preparation	Respondent identification	Employer identification	Survey interview	Data validation	Compilation	Analytics
Survey approach was determined and decided by *BW*. Data collation forma were designed collaboratively.	Respondents' confidentiality was assured. Sample group of respondents per sector from each region was identified & invited to participate.	Again, respondents were assured confidentiality. Employer sample group was identified in collaboration with *BW* and invited to participate.	Survey interviews were conducted in December 2007 by EmmayHR's executive search team, given their expertise in negotiating compensation & benefits terms.	Verified compensation data by sampling online data on open source job sites. The information was cross-referenced with employers to arrive at accurate real-time medians.	Compilation and data representation have been jointly executed by the production teams at *BW* and EMMay HR	Largely driven by *BW*, EmmayHR contributed insights to it.

KONICA MINOLTA

The essentials of imaging

With Konica Minolta's new black bizhub, form and function combine to bring you a comprehensive product lineup that not only looks great, but also has the brains to help your office streamline communications and boost productivity. The new colour bizhub brings style and substance together in an MFP like never before. www.biz-hub.net.

bizhub

Change the way you do business.

Colour Printer | Colour Copier | Scanner | E-Mail | Fax | Data Storage

KONICA MINOLTA BUSINESS TECHNOLOGIES, INC.

1-6-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Godrej

Godrej & Boyce Mfg. Co. Ltd. Prima Division,
3rd Floor, Plant 18/B, Vikhroli, Pirojshanagar,
Mumbai–400 079. India.

Tel. : +91 (22) 67961627 / 67962653 / 67961610.
Fax.: +91 (22) 67961526.
Email: monga@godrej.com www.godrej.com

DILEEP PRAKASH

Crusing On The Highway

by M. Rajendran

Employees in the auto sector can look to ride the gravy train

THE DAYS WHEN FIAT PADMINIS AND AMBASSADOR cars used to dominate Indian roads seem like a hazy memory today. Even the introduction of the Maruti Suzuki, a revolutionary event in India's automobile history, reads like something from the history books. Today, the burgeoning middle class has ushered a horde of sleek, compact and affordable cars into the market. Moreover, the growing affluence of India's upper classes has meant that Indian roads are also flooded with luxury sedans jostling for space with fuel-guzzling SUVs.

Still, India's impressive growth story, has come with a serious downside for the auto sector, namely high attrition amongst its employee base. A high overall growth story for the Indian economy has meant a huge opening up of other sectors which have sucked up available talent. Consequently, compensation packages within the sector are being rewritten to attract talent, with the HR budget going up by 14 per cent.

S.Y. Siddiqui, HR head, Maruti

"Building in training and incentives packages into HR budgets has received maximum attention."

The entry-level salary in this sector varies from Rs 2.62 lakh per annum in the West to Rs 3.03 lakh per annum in the North. With a projected growth at 8 per cent, the survey indicates that there is scope for salary growth in this sector as the highest paycheck drawn by a senior level executive is Rs 14 lakh per annum against an industry median of Rs 19 lakh.

In order to compete with other industries that are snapping up skilled workers, a number of automobiles companies have reworked their salary structures at all levels in the last few years, say industry analysts, and others are in the process of building in training and incentives packages into their HR Budget. "This is a trend that has received maximum attention not only in our company but across this industry." says S.Y. Siddiqui Executive Director-HR at Maruti Suzuki India.

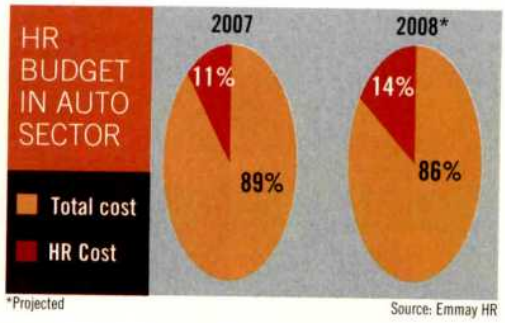
As in other industry groups in this survey, components of HR budgets have increased to include specialised training at all levels. "We view salary and compensation as a larger subject, broadly covering training investments, rewards and recognition, job role flexibility, career enhancement and family connect initiatives. In a way, it's the entire view of a positive work environment that defines compensation at Maruti Suzuki," says Siddqui.

If Indians continue to add wheels to roads in record numbers as they have done so far, employees in the auto sector can coast all the way to a brighter financial and professional future for themselves.

ARE YOU PAID FAIRLY?

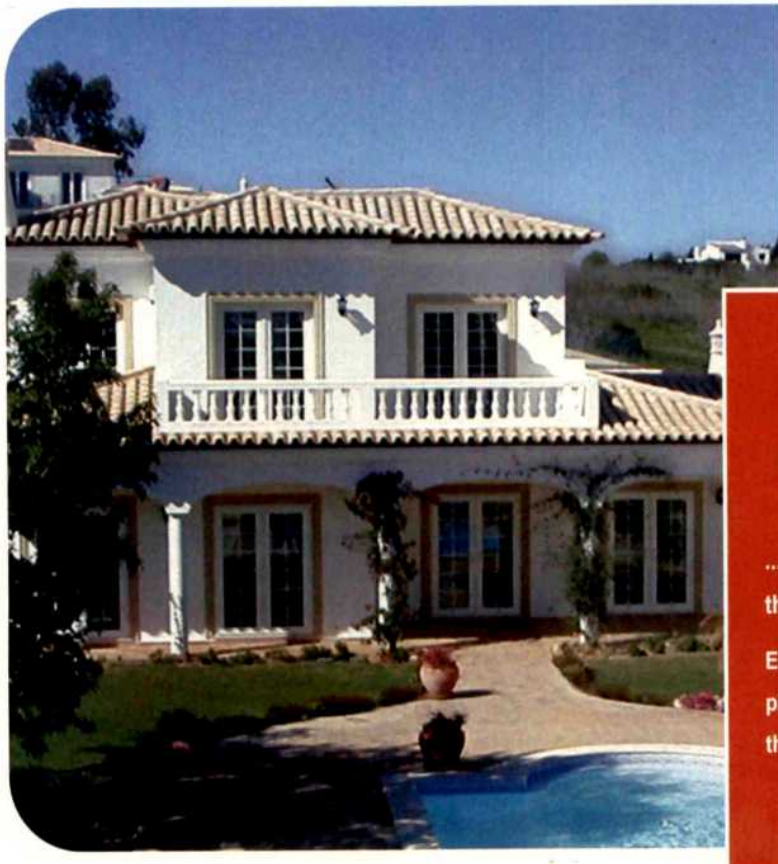
No.of years	North	South	West
0-3	3.03	2.73	2.62
4-7	3.03	2.73	2.62
8-12	9.99	5.81	8.73
13+	12.13	14.08	10.37

Figures in Rs lakh



*Projected

Source: Emmay HR



ELGI

Think Long Run

AIR POWER...

... that is behind the finish of a third of America's swanky villas.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/06

Employee Parts

by M. Rajendran

SUBHABRATA DAS

Component companies are on the wrong side of retention chain

AS INDIA'S MIDDLE CLASS CONTINUES TO NURSE ITS huge appetite for small cars and the country's affluent snap up luxury vehicles and SUVs, auto component companies are also riding the crest of the auto boom.

Auto component companies spend on average 35 per cent of the total HR budget on employee welfare, while training takes up 27 per cent. The *BW* survey reveals that those with 13-plus years of experience were getting a salary that ranged from Rs 9.99 lakh in the west to the significantly higher industry average of Rs 12.25 lakh per annum.

While the industry is growing at the rate of 15 per cent annually, the real challenge, according to people like Degala Subramanyam, vice-president, Group HR at Minda Industries, is how to retain employees and manage their career growth. "Most of the individuals desire to have rapid career growth and managing the expectation of the employees is a major challenge for HR department," says Subramaniam.

Minda Industries, for instance, faces maximum attrition at the entry or junior levels, primarily because entry level personnel have a tendency to hop jobs based purely on the amount of money being offered or a position's attractive title. Naturally, the HR budget within companies in this sector is now viewed as a significant critical component, having a defining impact on salaries, training and welfare.

Most of the companies in this sector offer attractive packages within the constraints of the HR budget. Some of the initiatives include job rotation to upgrade employees and out-of-turn promotions to employees suitable for higher positions. "The HR budgets will continue to increase as aspects such as honing the technical skills of employees are given importance," says Surinder Kapur, chairman and managing director of Sona Koyo Steering Systems Ltd. "Our company offers training of 72 hours per employee per year to those at entry level and management bonus linked to productivity and target achievement," he adds.

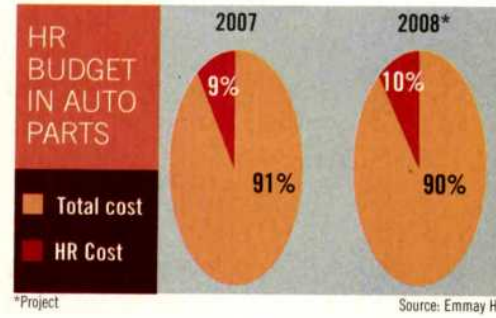
As ways to hang on to outperforming employees, special incentives such as outbound training, foreign postings and paying for part-time professional courses are offered by the companies. Star employees can even take their families on vacation on the company tab.

Clearly, as Indians hit the road in growing numbers, auto component employees can steer themselves towards an increasingly rosier future.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	2.10	2.40	2.15
4-7	3.79	4.58	3.36
8-12	3.79	4.58	3.36
13+	12.25	10.75	9.99

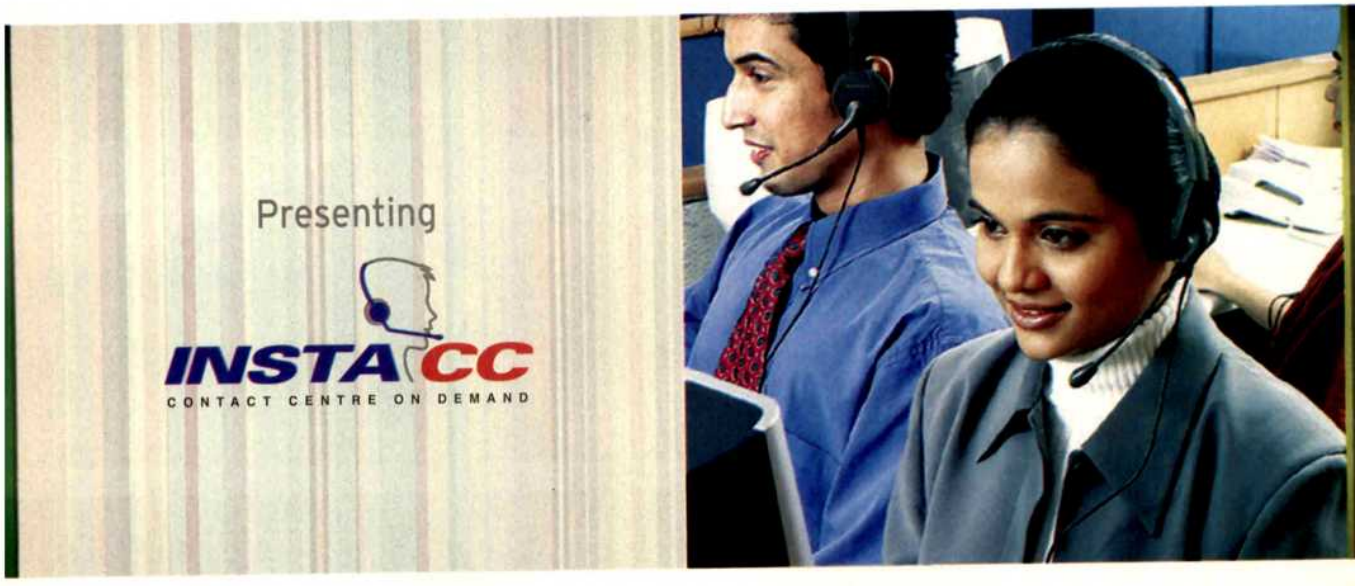
Figures in Rs lakh



*Project

Source: Emmay HR

A Contact Centre Solution
that grows with your business



New opportunities emerge almost unexpectedly, sometimes from nowhere. At such times you need the ability to overcome constraints when your business requirements expand. Our Insta™CC on-demand hosted contact centre solution provides you quick set-up with advanced features like predictive dialling, performance based call routing, IVR and world-class voice and e-mail multimedia solutions.

With Insta™CC we go beyond just connectivity

- Fast Deployment
- Zero CAPEX, Pay-per-use
- Flexible infrastructure totally managed by VSNL

Powered by CosmoCom™, this ready-to-roll service allows you to scale the number of seats as you grow and focus on your core business leaving the technology worries to us.

Call: 1800 209 8765* now to fix an appointment
E-mail: mysolutions@tataindicomebu.com
For more information
Visit: www.tataindicomebu.com

* Toll free number can be dialled from any service provider.

Our Suite of Solutions

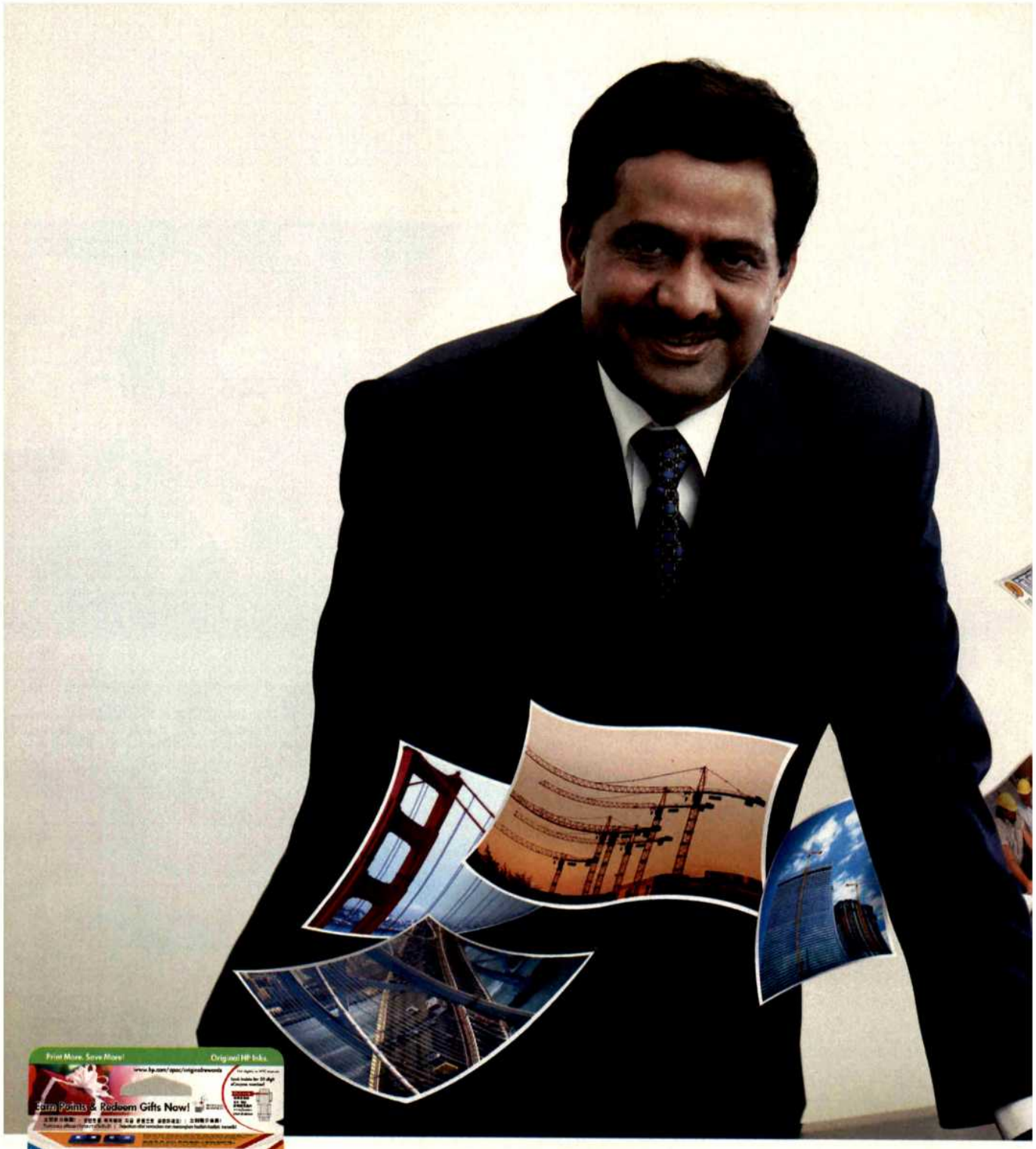
MANAGED NETWORK SERVICES
- Global VPN Services
- Ethernet WAN Services
- Internet Access Services
- Private Line Services
- Inbound and Outbound Voice Services
- ATM Services
- Satellite Services - Inmarsat
- Broadcast & VSAT

MANAGED IT INFRASTRUCTURE SERVICES
- Collocation Services
- Managed Hosting Services
- Managed Storage Services

MANAGED APPLICATION SERVICES
- Business Messaging and Collaboration Services
  - ReadyAccess Messaging
  - Adaptive Messaging
- Hosted Contact Centre Services
  - Insta™CC
- Audio & Web Conferencing Services

Business Rich | TATA indicom ENTERPRISE BUSINESS SOLUTIONS

©VSNL 2007. Tata Indicom Enterprise Business Unit is a part of VSNL.



UP TO 40% OF SAVINGS†

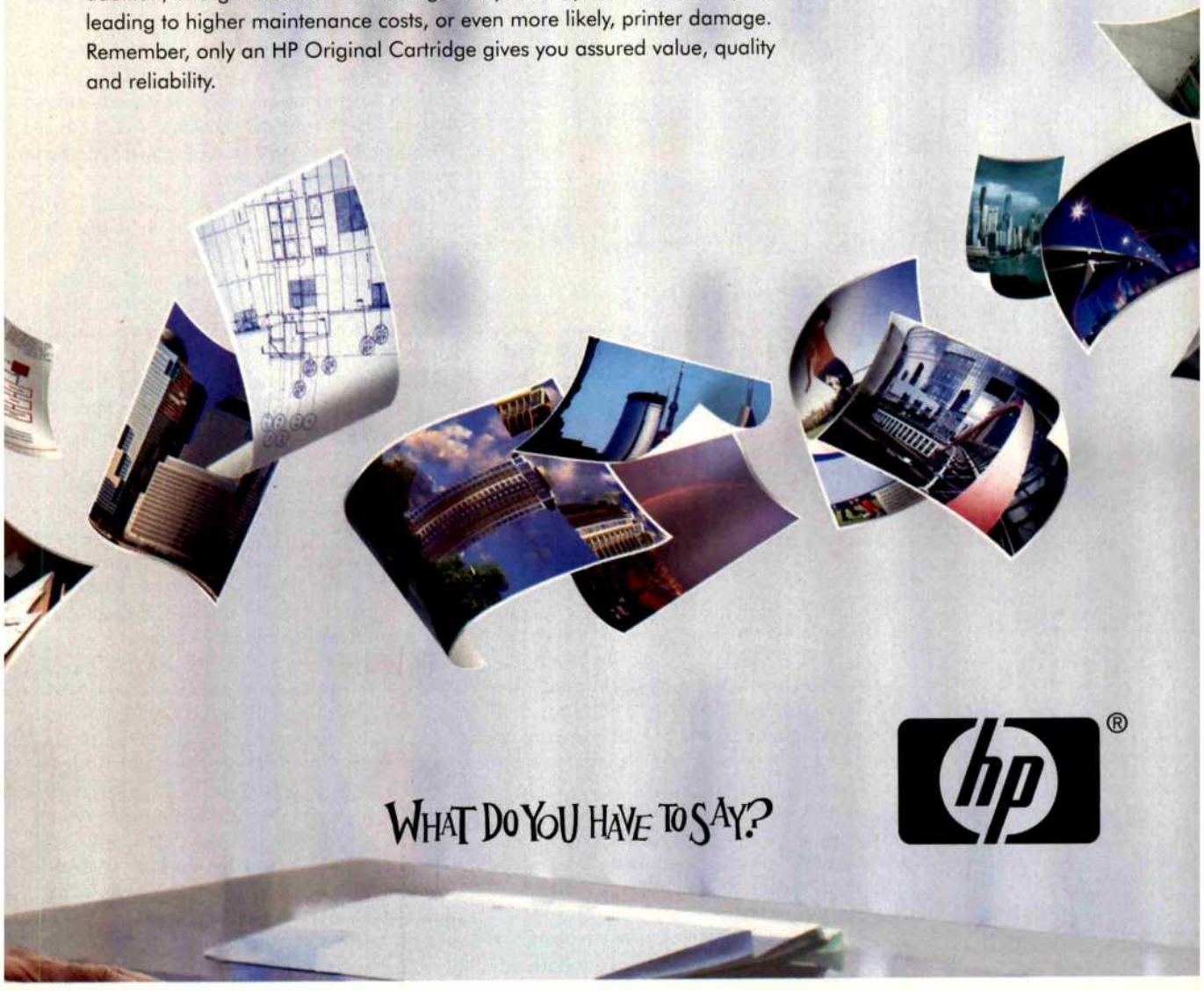
With our extended range of products, such as Simple Black Ink, Multi-packs and Combo-packs, you can save up to 40% on the retail price of a regular HP Print Cartridge†.

*Results of 3rd party testing, commissioned by HP, done by TUV SUD PSB Pte. Ltd. Ink cartridges tested 45x, 78x, 56x &

"2.4 TIMES MORE PRINTS PER CARTRIDGE*. I ENSURE EVERY ASPECT OF MY BUSINESS IS JUST AS EFFICIENT."

- Mr. T.R. Badarinarayan, President, Potain India Pvt. Ltd., Pune.

Independent testing by a 3rd party confirms that an HP Original Cartridge delivers 2.4 times* more printouts than an unorganised refilled cartridge. In addition, unorganised refilled cartridges may create problems for the printer leading to higher maintenance costs, or even more likely, printer damage. Remember, only an HP Original Cartridge gives you assured value, quality and reliability.



WHAT DO YOU HAVE TO SAY?

HP Mileage Program - Get Free^ Petrol

- 3 litres petrol free^ with purchase of 3 HP Cartridges on or before 31st January 2008.
- 1 litre petrol free^ with every subsequent additional purchase of cartridge before 31st July 2008.
- Valid only when purchased through HP Click or Dial-a-Cartridge.

For free delivery in 6 hours† in 76 cities:

Click-a-Cartridge
hp.com/in/cartridges

Dial-a-Cartridge
3030 4499 (from mobile, prefix your STD code) or
1800 4254 999 (toll free, from MTNL/BSNL lines)

E-mail-a-Cartridge
in.contact@hp.com

*Report at hp.com/in/cartridges. ^Terms and conditions of HP Mileage Program and HP Dial-a-Cartridge as given in: hp.com/in/cartridges †Conditions apply. Offer valid till stocks last. © 2008 Hewlett-Packard Development Company, L.P.

PUBLICIS HP-IPG 043 08

AMIT VERMA

Poaching Fields

by M. Rajendran

Players are fighting to match salaries with double digit growth

"I SPENT MORE THAN FIVE YEARS IN MEDIA," SAYS Assistant Vice-President of Yes Bank, Samik Dasgupta. "I decided to change in late 2005. The financial services industry, especially the banking sector, was booming. The compensation was adequate to take care of growing requirements. Today, I am happy about the decision I took."

Dasgupta's experience is a reflection of unimpressive salaries in the advertising and media sector, which tempts young people with the promise of intelligent glamour and the mirage of terrific compensation.

It was stagnating salaries that led to poaching of professionals by other industries at both entry and middle levels, although the level of attrition is not among the highest across the sectors surveyed. Now, the paucity of talent leads the increase in compensation for the existing pool of personnel.

Last year, entry level salaries ranged from Rs 2.15 lakh to Rs 2.51 lakh per annum. More hearteningly, senior level executives earned between Rs 8.33 lakh to Rs 20 lakh annually. New industry packages include tax benefits, interest free loans and cash bonuses.

At 13 per cent, shows the survey, the advertising and media sector's anticipated projected growth in salaries and compensation is third highest, next only to banking and finance. What's more, industry analysts expect compensation packages to rise further.

"Traditionally, HR in advertising and media has been neglected, as has been its budget. The change has come in the last few years, following the shortage of talent, and that has changed the subheads in HR budgets," says Pushpinder Singh, CEO of Saints and Warriors, a mid-size advertising agency in Mumbai.

Media industry considered a subset of the advertising growth, especially when it comes to salary, is expected to witness a 13 per cent groth in salaries.

Meanwhile, fees paid to HR consultants are a considerable burden on personnel budgets. The same talent pool is rotated in every year, or sooner than that, and it is moved by the same HR consultant. Thus, the company pays the price reaped by consultants and recruits, as is the case in the BPO industry.

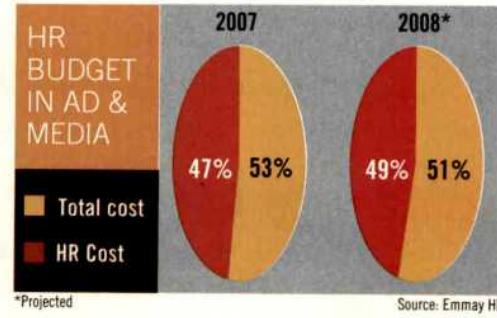
The industry seems to be graduating upwards in terms of benefits offered. And perks such as night allowance are becoming a norm.

Even so, it appears that little has changed since ad guru David Ogilvy noted caustically in a speech to Ogilvy&Mather Worldwide in 1989. "What kind of people should you discover and hire?" he asked. "Well, policemen and tobacco farmers, not MBAs! ...Hire the kind of people clients don't have and wouldn't dream of hiring....You have to remember that clients can afford to pay far more than we can for MBAs." Indeed they still can.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	2.15	2.39	2.50
4-7	7.37	3.83	7.17
8-12	13.63	6.50	12.47
13+	16.77	8.33	20.33

Figures in Rs lakh



*Projected

Source: Emmay HR

COMPONEX NEPCON India 2008

13th International Exhibition of Electronic Components, Materials & Production Equipment.

20-22 Feb, Pragati Maidan, New Delhi

Where your business circuit completes

Others are already in action.

Where are you?

This is your chance to keep abreast with the latest technology.

The buzz has already spread, here is a one-stop solution for you that provides unparalleled opportunities to showcase the latest solutions of the key players in the industry.

Mark your 2008 calendar for the FIRST AND THE LARGEST electronic components exhibition of the year - COMPONEX NEPCON INDIA 2008 from 20th to 22nd Feb. Get to know the latest!

COMPONEX NEPCON INDIA 2008 is the largest trade show for electronic components.

- Country Pavilions: Taiwan, China, Singapore, U.K.
- Various countries from all over the world are participating; Japan, Korea, Hong Kong, Malaysia, Germany, USA, Switzerland, Czech Republic.
- Indian Companies from Delhi & NCR, Mumbai, Bangalore, Hyderabad, Chennai, Chandigarh, Ahmedabad, Pune.
- Exhibition is spread across the area of 11000m².
- Our show is supported by leading media houses and the key associations of the industry.
- We provide exciting visitor services.

VENUE PRAGATI MAIDAN | **HALL NO.** 2, 3, 4, 5 & 6 | **ENTRY FROM** GATE NO. 2

Exhibitor's Profile:

• Manufacturers and production of electronic components • SMT equipments, material, components and suppliers • Semiconductors • Sensors and Microsystems • Electro-mechanical components and fixing technology • Passive components • Subassemblies and Subsystems • Displays/Display manufacturers • Production technology and logistics for semi-conductors • Production technology and logistics for Microsystems • Production technology and logistics for circuit boards and switches • Production technology and logistics for subassemblies • Modules and Hybrid • ED/EDA and measurement & testing technology • Operating resources and production subsystems services

DATE 20th-22nd FEB

To register now, log on to ***www.componex-nepcon.com*** and for further queries, Email *at* ***info@componex-nepcon.com***

Trade Media Partners: EFY Electronics • TENDER WORLD • ELECTRICAL & ELECTRONIC WORLD; indiamart.com; trade4india.com; ELECTRONICS ASIA; EMC; electronics maker; global sources

Official Show Daily Partner: electronics maker

Official Travel Partner

Official Online Media Partner: Alibaba.com

Preferred Airline: JET AIRWAYS

Show supported by: Electronics Today; IMAIT; IMDA; SMTA; CEAMA; TEMA; CEIEC

Reed Exhibitions India
11th Floor, Building No. 9-A, DLF Cyber City, Phase-III, Sector 25-A, Gurgaon 122 002, Haryana (India) • Tel: +91 124 4686 300, +91 124 4686 327 (D). Fax: +91 124 4686 309

Organised by: Reed Exhibitions

promodome.net

Employee Interest

by K. Yatish Rajawat

Training a distributed workforce is a challenge for banking

BANKING IS NOT AS MUCH A SECTOR AS A MAMMOTH countrywide sprawl of manpower — and its spreading fast in all directions. Seven years ago, HDFC Bank had a small pool of 1,300 employees; today, it has 35,000 — a 27-fold increase. Private banks, such as HDFC and ICICI, and even smaller ones like Kotak bank, are doubling or tripling their manpower every year as the war between public biggies and private challengers has shifted from metros to a bigger and more beguiling arena — tier II and tier III towns — setting off hiring explosions.

No wonder, salaries in banking are projected to clock a growth of 17 per cent this year, the second highest among all the 12 sectors in this survey. The rush for recruitment in banking reflects in the current entry-level salaries, which are higher than the median salaries across 11 other sectors.

The annual entry-level salary ranges from Rs 2.62 lakh in the northern parts of the country to Rs 4.64 lakh in the South.

The hunger pangs of a growing up leviathan ensure that even those who have been around for quite a while are also gobbled up readily. The banking sector has the highest annual median salary for those with more than 13 years of experience — Rs 45 lakh in the North and Rs 18.75 lakh in the South. The sector also offers wide variety of benefits and perks to employees. The survey did not consider investment bankers salaries under this sector as it skewing our median unfairly.

What sets banking apart from other sectors is the widest distribution of personnel across the country and a basic need for training; just the job for an upbeat human resources department with an expanding budget. As higher training costs buoy up the human resource budget in banking, companies are adopting unique methods of training. "The challenge in the banking sector is quite different from the one in a software company, which might also be growing at the same pace," says Mandeep Maitra, country head of Human Resource at HDFC Bank. "We have to recruit and train people across the country. Which is why we send trainers where a good number of potential or existing employees are located. Our employees are spread across the country, therefore we have to innovate for the delivery of our training."

As interest of private banks in new markets compounds by the day and public sector banks face up this rising challenge, 2008 may find employees laughing all the way to, well, the bank.

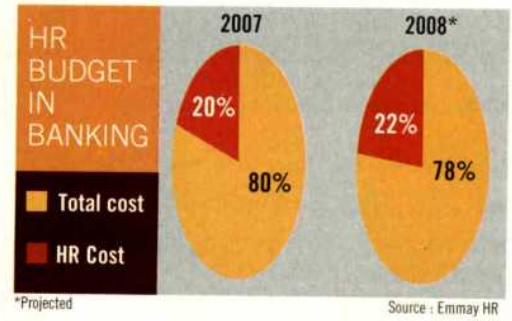
Mandeep Maitra, Country head HR, HDFC

"We have innovateed our delivery of training."

ARE YOU PAID FAIRLY?

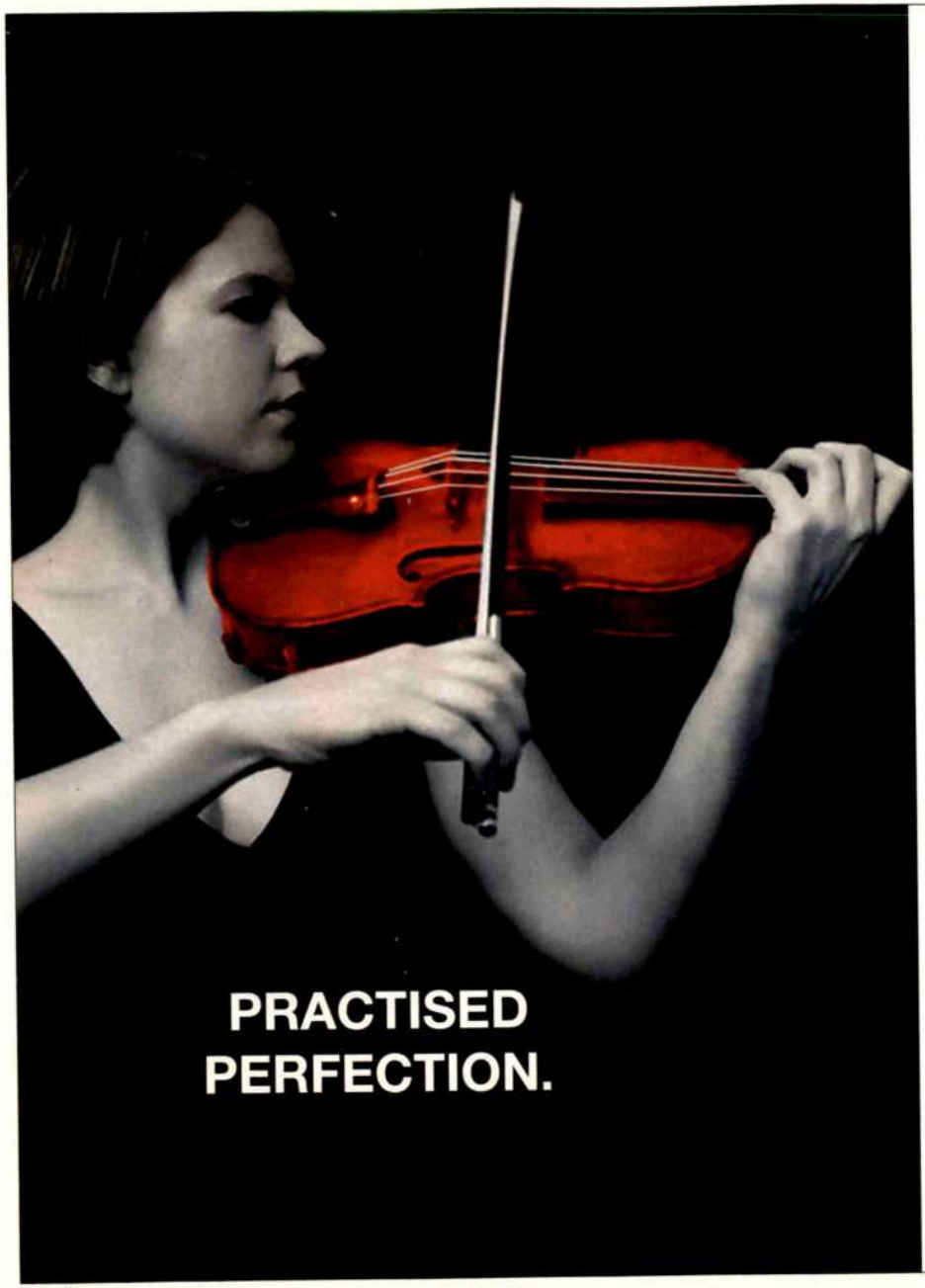
No.of years	North	South	West
0-3	2.65	4.46	3.82
4-7	6.42	6.55	7.67
8-12	19.17	10.17	22.08
13+	45.00	18.75	32.50

Figures in Rs lakh



*Projected

Source : Emmay HR



EUROMONEY 2007 Awards for excellence
BEST BANK IN FRANCE 2007

Creating solutions that add value to global banking.

Société Générale Global Solution Centre (SG GSC), set up as a strategic arm of the Bank, at Bangalore, offers innovative and customised business solutions to the Société Générale Group.

Over the past 7 years, SG GSC has evolved to become the Global Knowledge Centre for the Group with a reputation for providing innovative solutions that combine in-depth business knowledge with exceptional technology skills. We embody **Professionalism, Team Spirit and Innovation** that are the core values of the Group. Today, Société Générale Group entities work closely with us for solutions in Information Technology, Accounting and Finance, Banking Operations, Business and Process Consultancy.

As the Global Solution Centre for Société Générale we reflect not only our growing capabilities but also the stature that we have gained within the Group. It signals our success in the global financial domain, as an organisation that offers total solutions with an emphasis on excellence. Underlining, once again, the capability of India, to the world at large.

At SG GSC, we stand on the threshold of a future full of promise and look eagerly forward to the challenges and excitement ahead.

To be a part of this exciting future, email your resume to:
recruit.sg-bglr@sgcib.com

Discover more at **www.socgen.com** and **www.socgensolutions.com**

SOCIETE GENERALE
Global Solution Centre

Red, black and rising.

eternalite

AMIT VERMA

Behind The Scenes

by K. Yatish Rajawat

The BPO sector will take cover under employer branding

THE VOICE THAT ANSWERS FROM AN INDIAN CALL centre is likely to be emanating from a location in the North or West of the nation. High-end technical support and processing work, which pays better, gets mostly done in the country's south. This perplexing bias explains the wide variance in entry-level BPO (business process outsourcing) salaries in India — from Rs 1.78 lakh per annum in the West to Rs 2.49 lakh per annum in the South.

Voice-based BPO services, which constitute the largest employee base for entry-level BPO jobs, need English language proficiency but offer poor margins. This anomaly is driving companies away from such 'commodity services'. It will also lead to better pay scales.

Manuel Dsouza, EVP HR, Internet

"The trend in non-monetary compensation is to offer more stock options across the employee base."

BPO companies have, unlike their IT (information technology) counterparts, shown little inclination towards providing employee stock options to all their personnel. They now have reason to be more generous. Accustomed to high attrition levels in their young work force, companies poach, on the one hand and welcome job hoppers, on the other. The salary-survey finds that human resource (HR) costs in the BPO sector, already pegged at 53 per cent of total budgetary allocations, is expected to rise to 55 per cent in 2008.

"The trend in non-monetary compensation is to offer more stock options across the employee base. We are moving towards it and so are other companies in the sector," says Manual D'souza, executive vice-President of HR at Intelnet, the second largest BPO company in India in terms of number of employees.

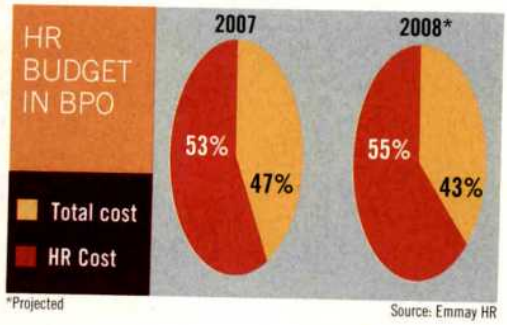
If the BPO industry makes some unusual demands on the hours its employees keep, it has been quick to offer incentives and benefits that no other sector sports. Home pick-ups and drop-offs, compensatory night allowances and frequent social events try to keep employees happy. But the strong dollar, which is squeezing BPO margins, just like those in the IT sector, could bully the industry's buoyancy into submission. At the very least, median salaries across all levels are expected to rise by only 10 per cent in 2008.

Employer branding, which involves building a brand awareness about the company among potential employees, has not been taken seriously by most BPO companies. With the exception of large BPO firms, human resource (HR) budgets in the industry do not reflect the cost of employer branding. The survey expects that to change in the coming year.

ARE YOU PAID FAIRLY?

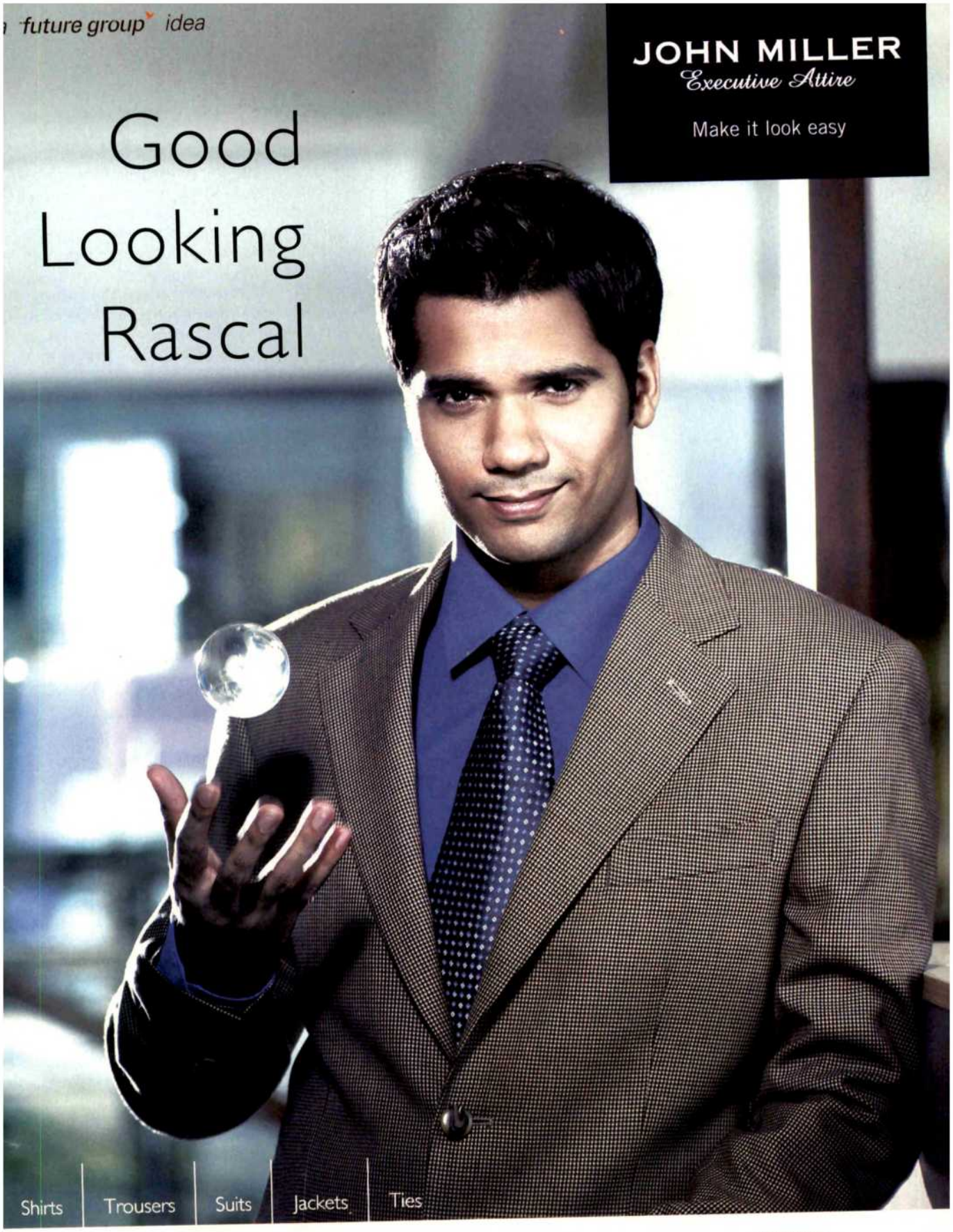
No.of years	North	South	West
0-3	1.89	2.47	1.78
4-7	5.27	4.04	5.58
8-12	18.52	8.48	8.86
13+	276.17	25.34	24.08

Figures in Rs lakh



*Projected

Source: Emmay HR



You'd hate to admit it, but you'd love to be like him. Because he has a few extra tricks up his sleeve. He's the man with the plan. John Miller salutes the good looking rascal.

Available at:

pantaloons FRESH FASHION

CENTRAL SHOP, EAT, CELEBRATE !

SANJIT KUNDU

Sluggish Movement

by M. Rajendran

Lack of experienced mid level talent act as salary driver

THEY OIL THE WHEELS THAT TURN BUSINESS BUT the going is far from smooth for employees of the business services and logistics sector, which presently holds the dubious distinction of offering the lowest salary at entry level (Rs 1.4 lakh to Rs 2 lakh per annum) in this industry-wise survey.

Alas, analysts expect entry level salaries to remain where they are, unless candidates acquire professional qualifications.

It is a well-known fact that the enormous unorganised segment of the business services and logistics industry is run by poorly trained candidates. Large, professionally-run companies see special training as an investment, and provide opportunities for it.

"India has a large pool of young workers," says Vineet Kanaujia, marketing general manager with Safexpress. "What is required is to generate awareness, and an organised system to train people. Safexpress supports training by providing internships, organising workshops, and running a training academy."

Indeed, budget graphs across the industry will have to be redrawn as the costs of education and professional certification are factored in, and about time. A not insignificant 24 per cent escalation in human resource costs of the business services and logistics sector is evident from the salary survey.

Inexplicably, the booming Indian economy has failed to inspire more than an anticipated projected growth of a sluggish 12 per cent here. With the Commonwealth Games less than 24 months away, retaining talent is sure to become an unwelcome gauntlet. For now, employees in the western region are paid better than their counterparts in the north and south.

The arrival of organised logistics players has heralded a new demand for skilled manpower. Therefore, although training may not have constituted an important part of HR budgets hereabouts, it does so now. Naturally, costs are swirling skyward.

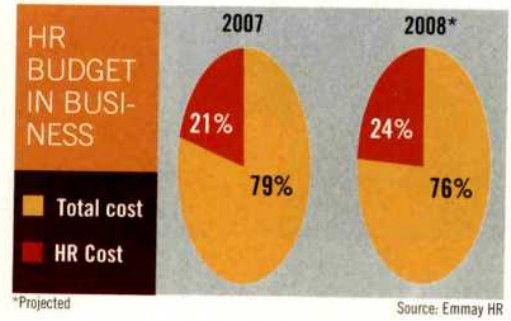
With specialisation determining employees' earning power, the most popular options in education and training are familiarisation trips, sponsored seminars at different destinations, and travel industry conferences and trade shows. Sops such as accommodation, attire, car loans, medical and transportation allowance, food and beverages discounts, free night stays and fuel reimbursements are now offered as companies realise their responsibility, even if they have been grudgingly slow to act upon it.

"We make sure that each employee is given medical benefits and insurance cover for the entire family. In the case of truck drivers, we even sponsor the education of one of his children, so that he is relieved of some major issues of concern," says Kanaujia. And now for that raise.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	1.80	1.42	2.41
4-7	2.83	4.27	4.49
8-12	7.25	9.84	8.83
13+	6.29	10.48	19.42

Figures in Rs lakh



*Projected

Source: Emmay HR

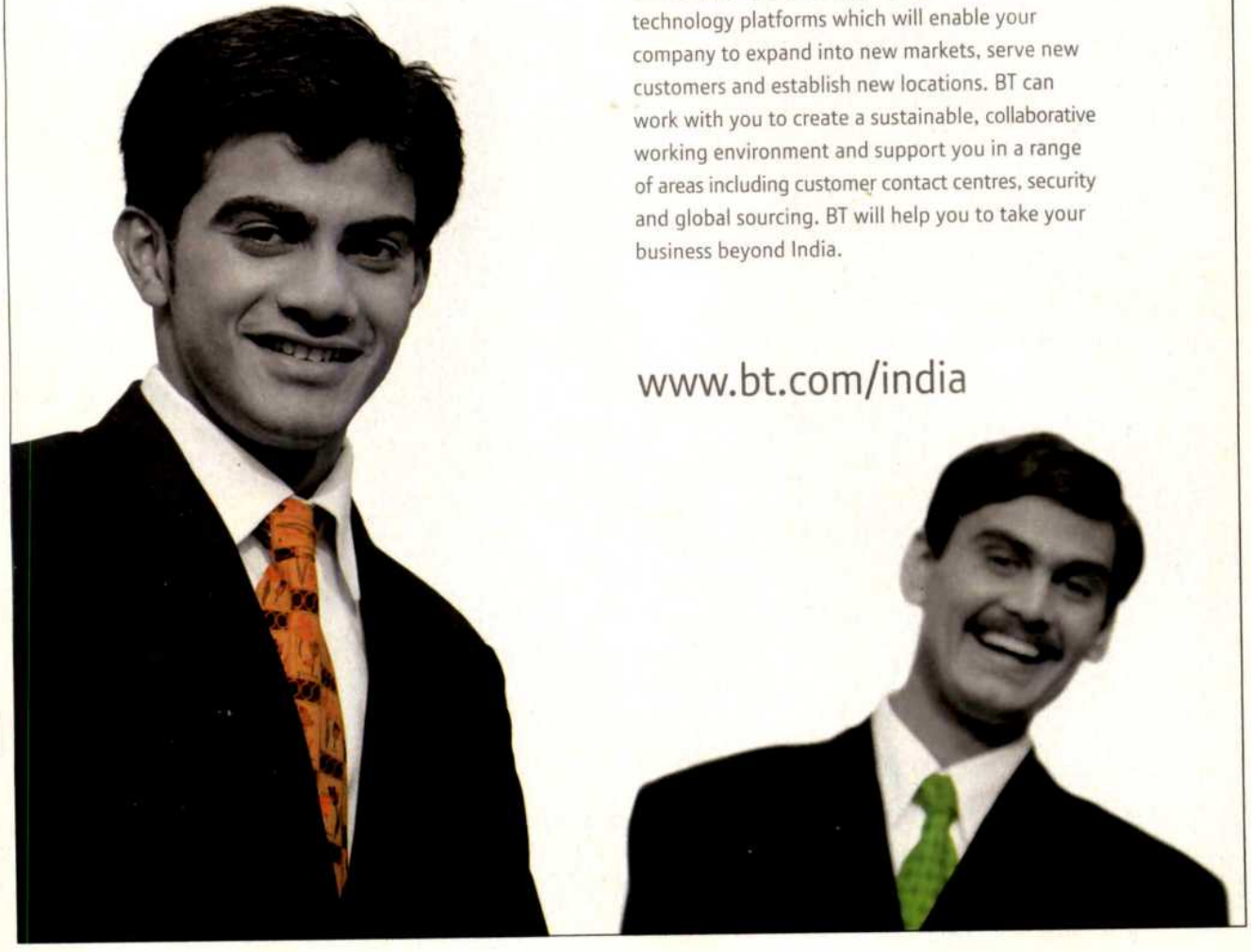
BT

Bringing it all together

Are you thinking beyond India? Meet the networked IT services company that thinks bigger.

For over ten years BT has been helping companies across India achieve their global growth ambitions. As a Fortune 500 company we understand the challenges that growing companies face.
In India, we are investing in people and new technology platforms which will enable your company to expand into new markets, serve new customers and establish new locations. BT can work with you to create a sustainable, collaborative working environment and support you in a range of areas including customer contact centres, security and global sourcing. BT will help you to take your business beyond India.

www.bt.com/india



mercer college

Calling Human Resource professio
Are you ready to face the India Inc.

Mercer College, the learning brand of Mercer presents

Learning dimension	Program title
Leadership Effectiveness	Foundations of Leadership
	Managers as Performance
M&A	M&A Ready (Post M&A Inte
	M&A Ready (Abridged)
	International Position Evalu
HR Transformation	Becoming an Effective HR B
Talent Management	Retaining Top Talent
	Behavioral Event Interviewi
	3P Compensation Manager
	Compensation Planning and
Rewards Management	Sales Incentive Plan Design
	Expatriate Management Fur
	Maximizing the Value of Re
	Total Rewards that Work™ -
Retirement	Managing Retirement Plans
Communication	Employment Relationship Br

* Fee indicated is per participant on a non-residential basis, to include coursew

We also partner with clients to provide over 50 other cutting edge learning solutions to add

To register for the open events or to request a quote for your specific training requirement, please email **rahul.mudgal**

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

ls of tomorrow...
human capital challenges?

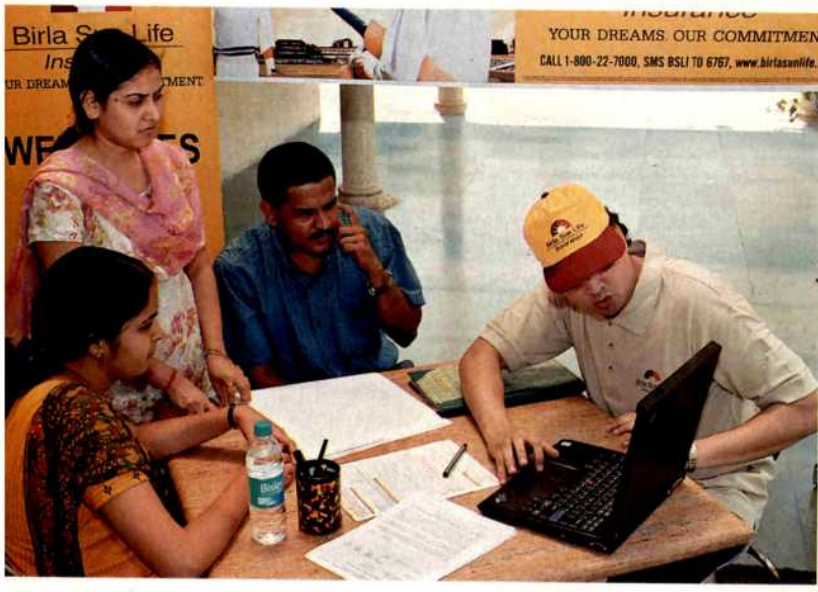
n-enrolment learning event calendar 2008...

	Date & location	Duration	Fees*
	26 Nov Mumbai, 15 Dec Delhi	2 days	INR 50,000
	20 Mar Delhi	1 day	INR 20,000
n Essentials)	24 Apr Mumbai	2 days	INR 26,000
	25 Jun Bangalore, 27 Jun Delhi	1 day	INR 18,000
	28 Mar Mumbai, 3 Nov Delhi	2 days	INR 25,000
s Partner	4 Sep Delhi, 23 Oct Mumbai	1 day	INR 20,000
	18 Aug Mumbai	1 day	INR 20,000
mpetency-based Recruitment)	17 Jul Chandigarh, 30 Oct Vizag	2 days	INR 22,000
	12 May Delhi, 15 May Mumbai	1 day	INR 22,000
eting	15 Sep Delhi, 16 Sep Mumbai	1 day	INR 22,000
ials	3 Apr Delhi, 8 Apr Mumbai	1 day	INR 20,000
ntals (Focus on India and China)	21 May Bangalore, 23 May Pune	1 day	INR 24,000
ration Surveys	27 Feb Delhi, 29 Feb Mumbai, 3 Mar Bangalore, 25 Aug Dhaka, 27 Aug Karachi, 29 Aug Colombo	2 days	INR 25,000
egy & Policy	5 May Bangalore, 7 May Chennai	1 day	INR 22,000
	29 Jul Mumbai	1 day	INR 18,000
g	21 Feb Mumbai	1 day	INR 20,000

ncheons and learning support. Does not include applicable service tax. Mercer reserves the right to change the listed schedule.

organization-specific training needs.

rcer.com or call +91 124 4175619. For more details on Mercer College, please visit www.mercer.com/mercercollege



SANJIT KUNDU

Thriving Sector

by M. Rajendran

Finance sector will give the highest salary hike in 2008 to pull talent

IF YOU WORK IN THE FINANCIAL SERVICES SECTOR, chances are that 2008 is going to be an especially fruitful year for you, adding heft to your wallet and desirability to your profile. And you don't even need to stir a muscle for any of this.

Fact is, the financial sector is likely to witness a huge shortage of manpower in 2008 as a herd of new companies are slated to enter this lucrative market.

Take the insurance business, for instance. Apart from LIC, the rest of the 15 companies in this arena have been in existence for about nine years and are short of talent at both entry and senior level positions. This can only get worse as the insurance sector is likely to see 20 additional players entering the market (there are 16 in the fray currently).

As India's economy continues on a scorching growth path, more and more people are saving money that needs servicing. As a result, companies in this sector are thriving, with revenues growing at a 50-60 per cent clip. Moreover, new entrants, especially those in the mutual fund and banking verticals, are not afraid to resort to widespread poaching in order to fill their rosters.

The price companies pay to remain competitive in this kind of market has consequently shot up. "Training and recruitment costs have skyrocketed due to intense competition," says Sandeep Koul, area manager at Kotak Life Insurance responsible for recruitment in the northern region. Plus, HR departments are kept exceedingly busy because of this boom. "In a manpower driven financial services sector, where new companies are coming in frequently, and demand of quality manpower far outstretches supply, recruitment is a year-round exercise and training assumes key significance," says Koul.

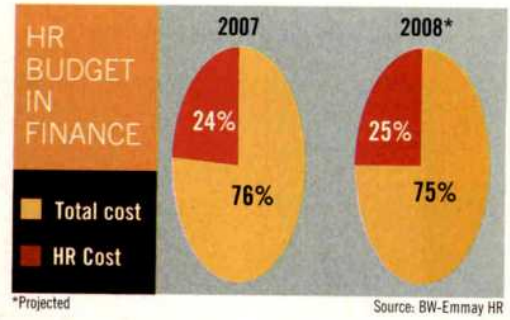
All this is great news for the average worker in this sector. In 2007, the HR budget of companies in the BFSI (banking, financial services and insurance) sector accounted for 24 per cent of the total budget. The year 2008 promises a further growth of 18 per cent. That has allowed companies to push up salaries as well across all levels. In 2007, the entry level salary ranged between Rs 2.15 lakh per annum and Rs 2.63 lakh per annum. Those with 13-plus years of experience, who were paid Rs 24 lakh onwards in 2007, now often end up naming their price.

Furthermore, incentive packages designed to lure a hot prospect, which are built into the compensation package, often include car loans and company-paid family vacations. "In terms of salary, initially it was less in financial sector when I was in media. Once you have proven yourself here, then sky is the limit," says Subir Moitra, senior manager at KPMG, who earlier worked in a PR agency. But all this ratchets up an already steep HR cost that has been straining to attract and retain talent.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	2.63	2.40	2.15
4-7	4.27	5.38	5.70
8-12	9.64	7.73	12.88
13+	24.42	18.54	22.33

Figures in Rs lakh



*Projected

Source: BW-Emmay HR

Biztech2.0

18

Technology created TV.

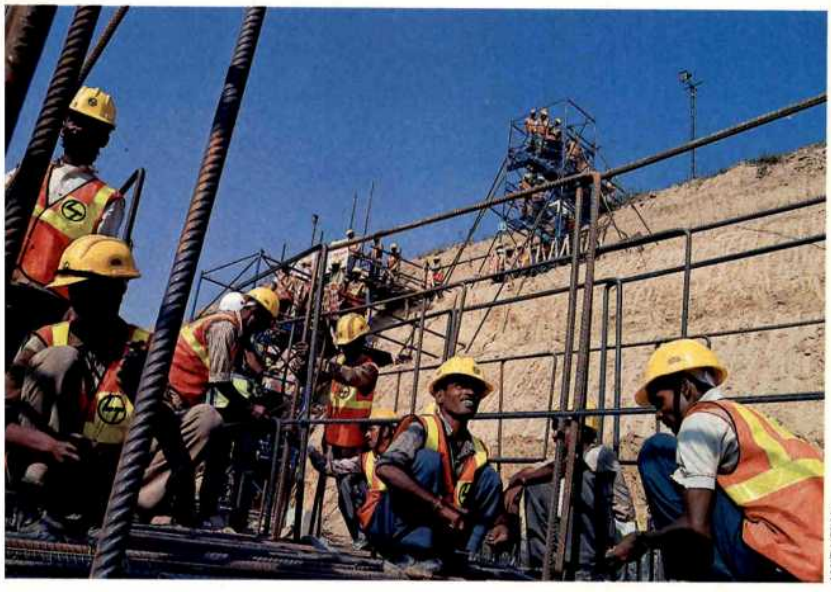
TV will now redefine technology, online.

the cell

Biztech2.com, the premier site for business ideas and innovation will be soon launching Biztech2TV, an on-demand TV channel on the Internet that will cater to different areas of Enterprise Technology bringing to you innovations as they happen. So gear up for a sea change in your business.

Biztech2.0 TV

...coming soon



AMIT VERMA

Competing For Attention

by M. Rajendran

Designing compensation to entice talent from other sectors

AS INDIA'S POPULATION CONTINUES TO GROW, ITS economy chugs along at a near 10 per cent growth rate and its population continues to consume at unprecedented levels, the one industry that is destined to grow rapidly to keep pace with this trend is infrastructure. Add to it events such as the Commonwealth Games being hosted in 2010, and demand for skilled talent, as well as the pressure to retain existing employees, is greater than ever before.

The Human Resource Budget in 2008 for infrastructure sector is likely to be 11 per cent of the total cost, reveals the salary survey.

With entry level salaries ranging from Rs 3.12 lakh per annum in western India to Rs 3.27 lakh per annum in the North, infrastructure remains the most sought after sector. With the survey indicating a healthy 12 per cent projected growth, HR managers are on their toes devising innovative compensation packages to attract and retain talent.

Dr. K.P. Kumar, ED-HR, Lanco Infratech Ltd.

"Now, with the boom in infrastructure the challenge for HR heads is to wean back talent."

This was not always the case. Since the industry remained flat for decades, demand for talent was non-existent. HR departments within companies didn't focus much on training and specialisation and, therefore, these companies weren't big draws for engineers. As Dr. K.P. Kumar, Executive Director of HR at Lanco Infratech, points out, the IT boom five-six years ago resulted in soaring salaries for civil, electrical and mechanical engineers, leaving the infrastructure sector bereft of talent. "Now, with the boom in infrastructure, the challenge for HR heads is to wean them back, and the costs would be reflected in the HR budget," adds Kumar.

For recent engineering graduates, it doesn't get any better than this. Companies in this sector are desperately scouring for talent across all levels. Poaching isn't even an option as competitors are also in the same boat. All this means that HR Budgets are set to sky rocket, especially if you factor in the five to six-fold increase that some companies are willing to pay to hold onto their existing middle to senior level executives.

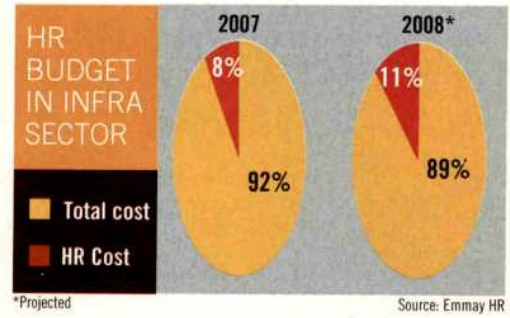
A three-pronged approach to combat this dearth of talent: train fresh engineers, wean back talent from the IT sector and try to attract talent from competitors. "The costs are high for any approach. At the entry level it may not be high, but it could be for those being weaned away from IT and other sectors," says Kumar.

Infrastructrucure may touch consumer, but it is yet to deploy an employee friendly image. This is one bridge it will cross in 2008.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	3.27	3.13	3.12
4-7	6.70	3.23	3.72
8-12	15.82	6.22	4.73
13+	40.63	15.25	10.45

Figures in Rs lakh



*Projected

Source: Emmay HR

Choice

Helping you choose from a complete range of Mutual Funds on offer.

At Geojit we offer you over 700 funds from 30 different fund houses, the wide choice of Mutual Funds allow us to service the varied needs of our clients. This comes from our understanding of the requirements of our clients and that each of them has different financial goals. This is reflected by our 3,40,000 satisfied clients who have entrusted us with over Rs 8000 crores of assets under management. Let us help you make the right choice.

Geojit

driven by trust

Mutual Funds | Full trading account + Demat + Online bank a/c | World class technology | Equities Commodities | Futures & Options | Margin funding | Life Insurance | Portfolio Management Services

Call toll free: 1800 425 5501
Visit: www.geojit.com
Visit: your nearest Geojit branch

For trade or investor queries, please mail us at customercare@geojit.com

Registered Office: Geojit Financial Services Ltd., 5th Floor, Finance Towers, Kaloor, Kochi - 682 017, Kerala.
SEBI Regn. Nos: NSE: INB/INF 230806739 | BSE: INB010806736 | NSDL: IN-DP-NSDL-24-97 | Portfolio Manager: INP00000316

For any grievances, please mail us at grievances@geojit.com

SANJAY SAKARIA

Branding People

by K Yatish Rajawat

Hit by dollar margins, IT sector will rationalise HR costs

IT GOES WITHOUT SAYING. DAZZLED HOPEFULS looking towards the Indian software enterprises will still get very high entry level salaries, but the hikes may not be so high going forward. The IT (information technology) industry, principally comprising software companies providing offshore services from India, remains one of the best employers across all sectors. But the weakening dollar has hit margins enough to raise the spectre of rationalising employee cost.

IT's dollar-driven revenues rely upon a business model that arbitrages between high employee salaries overseas with the low cost personnel in India. The salary survey finds human resource (HR) contributing the biggest component (44 per cent) of the IT industry's total cost. So when the push comes to shove on margins, HR costs will be rationalised.

Apart from the dollar's ongoing doldrums, winds of change blow from many directions. Gate crashing into a booming economy are retail, telecom, finance, banking and even infrastructure, now the leading causes of attrition among experienced professionals from the IT sector. IT is expected to provide an overall increase in salaries of just 10 per cent in 2008, which is less than what is expected from the retail, banking and finance industries.

The other sectors maybe fighting back for quality employees but IT is unlikely to give and may innovate further on compensation structures. D.K. Srivastava of Delhi-based HCL Technologies, says, "We launched an attractive 'own your car' scheme for engineers. An employee can get car at half the cost if he stays for four years and performs consistently well. If, an employee perfromance 'Exceeds Expectation" he will have the car at 2/3rd of the cost."

The software sector did not win its accolades without just cause. It has consistently remained among the most pro-active employers. Take a look at the benefits on page 74. While there has been no change within, things are no longer the same outside. If the software industry's employee-friendly achievements were peerless at one time, other sectors are no longer behind.

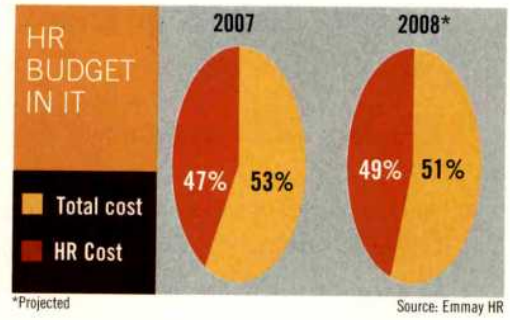
Entry level salaries in the IT sector range from Rs 3.21 lakh per annum in the West to Rs 5.23 lakh per annum in the North. Pune-based companies pulls median down. "Western India, particularly Pune, fosters strong values like city affection and employer loyalty which are more important to employees than salary increases and, hence, there is more rationality in this part of the country," says Prameela Kalive HR head of Pune based Zensar Technologies

Employer branding initiatives and academic outreach programmes are HR strategies to the credit of the software industry. Under no pressure to touch the lives of Indian consumers, IT companies advertise to build the image of an employee-friendly industry. It's a sunny image, assiduously built by the industry over the years.

ARE YOU PAID FAIRLY ?

NO.of years	North	South	West
0-3	2.15	2.39	2.50
4-7	7.37	3.83	7.17
8-12	13.63	6.50	12.47
13+	16.77	8.33	20.33

Figures in Rs lakh



*Projected

Source: Emmay HR

Our solutions exceed every expectation. Just anywhere in the world.

Everything about Crompton Greaves is world class. Whether it is manufacturing processes, R&D or QC. Our acquisitions too have given us access to the infrastructure and technology of leaders like Pauwels, Ganz and Microsol. These have made us one of the single largest sources for a variety of electrical solutions.

www.cglonline.com

70 YEARS
At home, across the world.

Crompton Greaves
EVERYDAY SOLUTIONS

Transformers • Switchgear • Power Quality • Motors & Alternators • Drives • Railway Signalling • Fans & Appliances • Lights • Pumps

AMC/CG/10-07/03

True Blue Collars

by M. Rajendran

SANJAY SAKARIA

To witness a lowly 8 per cent rise in salaries in 2008

IN AN EMERGING, HIGH GROWTH ECONOMY WHERE information technology has reigned supreme as the industry of choice for investors and career professionals, it is of little surprise that manufacturing has been the laggard amongst all the industries in this survey.

Across all 12 sectors covered, manufacturing, true to its blue collar colours, pays the lowest at the entry level. The entry level salary varies from Rs 1.92 lakh per annum in the North to Rs 2.90 lakh per annum in the West.

Salary levels are more plush at senior levels for people with more than 13 plus years of experience. Still, there is a huge variance across the country. While in the North a senior person would get just Rs 7.7 lakh per annum, in the western region of the country the same person get Rs 25 lakh.

Much like call center employees, many workers in this industry switch jobs for even small increments in pay and are not focused on the growth of their careers, according to Rajesh Gupta, CFO of Havells India. Moreover, economic growth and demand across all sectors has taken a toll on the supply of employees in this sector.

Traditionally, this crisis of employee retention has been resolved by simply hiking salaries and perks. Now, however, companies are adopting a different tactic and are spending more on training and recruitment. Companies have also adopted innovative methods such as providing variable pay to employees at managerial level onwards.

This sector is also beginning to offer other incentives to its employees, such as accommodation, drivers, education allowances, medical benefits, telephone and transport reimbursements and car allowances. M.L. Mitra, general manager for corporate HR at Phoenix Lamps, says that the company's HR budget "comprises of other components too, such as training and development - festivals, motivational get-togethers and welfare and small group activities. These are not costs directly attributed to employees but form part of the HR component".

In 2007, the sector dramatically improved on their personnel spends. The salary survey shows that the sector will see a rise of 8 per cent in its salary cost in 2008. Naturally, a significant increase in these kind of HR expenditures will have an impact on the profit levels of companies. HR heads are aware of the balance that they need to maintain and the growing need to hire the best in the industry.

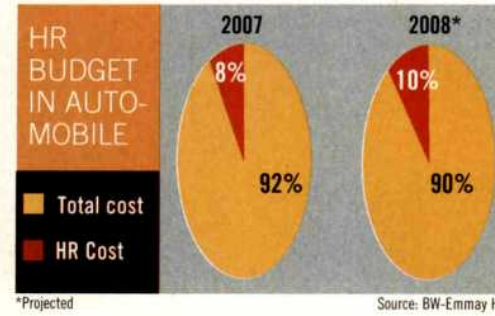
Rajesh Gupta, CFO, Havells India

"Demand across all sectors has taken a toll on talentsupply."

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	1.92	2.29	2.90
4-7	3.41	5.45	4.96
8-12	6.10	7.73	7.22
13+	7.71	11.37	25.08

Figures in Rs lakh



*Projected

Source: BW-Emmay HR

Experience wholesome family fun at the Theme Park!

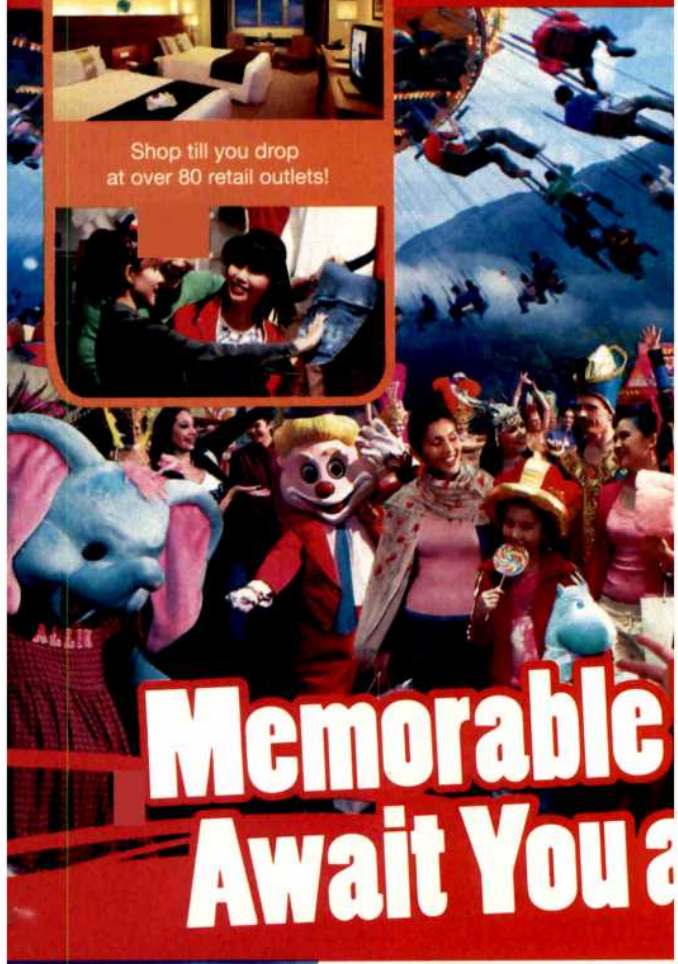
Enjoy the all-new Imperial Rama Restaurant and over 90 other eateries!

Experience the luxury of the newly-upgraded Resort Hotel rooms or pick from over 10,000 others!

Shop till you drop at over 80 retail outlets!

Escape to Malaysia's only level, Genting City of E breathtaking scenery w South-East Asia's longes Theme Park, the only the acts including the new i Satisfy your cravings wit And relax with our rang certified as the World's L for a unique holiday filled City of Entertainment toda

Travel Trade Gazette Awards 2007
Best Resort - Asia Pacific



Memorable
Await You a

Visit Malaysia

Celebrating 50 Years of Nationhood

www.ger

Businessworld

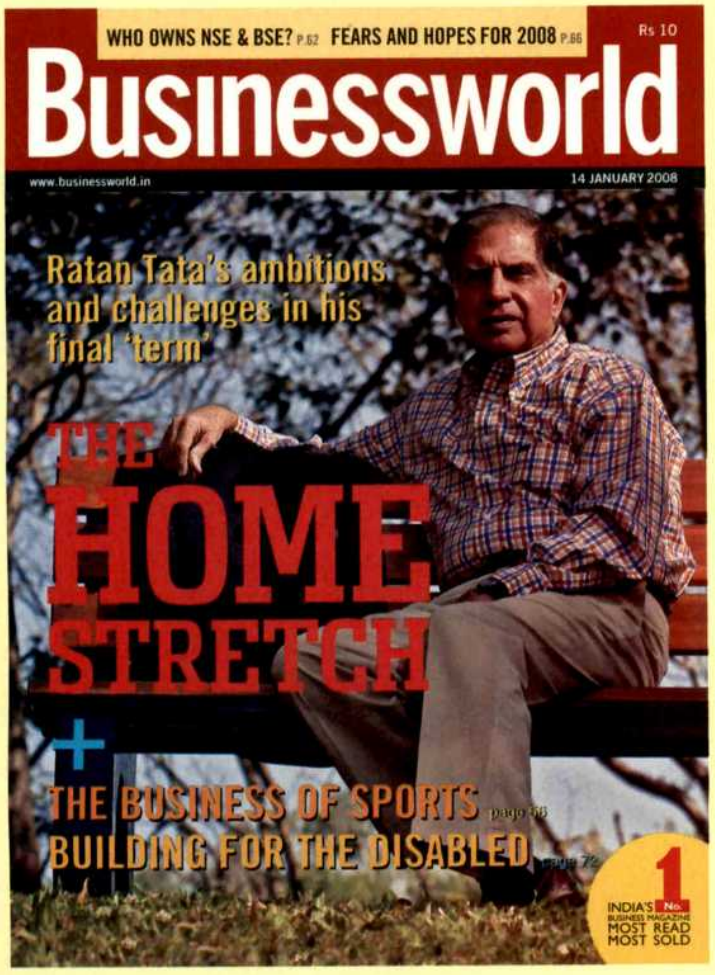
CONTAINS High IQ

Nutrition for the mind

Serving: Once per week

Ingredients	% Content
OnPoint	10%
Sharp insights on news	
Fianchetto	5%
The week's strategic moves	
Quick Take	2%
Opinion poll of business leaders	
In Depth	37%
More feature stories every week	
Corporate Sociology	7%
The social side of the workplace	
Tech Talk	5%
A look into the future	
New Columnists	8%
Global perspectives	
Counterpoint	3%
A contrary point of view	
In Vogue	6%
The business lifestyle	
Other regular features	17%

PRESENTING THE NEW BUSINESSWORLD. FRESH. INCISIVE. GLOBAL.



Businessworld, India's most read and most sold business magazine*, has a refreshing international look and more comprehensive content. Its new features include more in-depth stories, new columnists, sections on science and technology, corporate sociology, lifestyle and much more.

All presented in an easy-to-read, elegant style. The new Businessworld.

It gives you an edge that's simply unmatched.

Businessworld

YOUR UNFAIR ADVANTAGE

*ABC: Jan-June 2007: 1,31,626. NRS: 6,79,000 AIR (Average Issue Readership).

SANJAY SAKARIA

The Wrong Chemistry

by M. Rajendran

This industry remains the lowest paymaster across all sectors

PHARMA MAJORS MAY WELL HAVE FOUND A NEW love for research and development, and not a day too soon, but it's a floundering romance as the industry remains the lowest paymaster across all sectors. That's not good news for science and pharma graduates, who remain the industry's captive employee base at a time when their peers in several other arenas are enjoying the fruits of high attrition.

Salaries across all four levels in the chemical and pharma industry hover below average Indian white-collar pay scales. The survey found that the highest salary drawn by employees who have worked for more than 13 years in this sector ranges between Rs 10.25 lakh to Rs 10.37 lakh per annum. That said, the human resource (HR) budget allocation in the chemical and pharma sector will grow by 12 per cent in 2008. It is small consolation.

"Salary increase in the pharmaceutical and biotech industry is not as volatile as, say, the IT industry," says group head for HR at Biocon Ltd, Ravi Dasgupta. "Over the last 12 years that I have been involved in compensation management in this industry, the average salary increases have been between 11 and 15 per cent."

This combination of poor pay scales and low attrition has led chemical and pharma companies to shift their focus from 'employee welfare' to 'employee engagement'. 'Feel good' expenses, which did not necessarily take the organisation forward, are being repositioned in more effective ways. For instance, intra-organisation transfers may not be encouraged, but club memberships and allowances will compensate.

At between 8 to 15 per cent of sales, employment cost is the largest HR component for chemical and pharma companies, which are and will remain thrifty spenders on recruitment, training and employee welfare. Industry analysts benchmark HR expenses over and above salaries at a paltry 0.5 per cent of sales.

Lower-level attrition, when it happens, is usually the result of young employees' need to enhance employability with a post-grad or doctoral degree. Women scientists, who make up 25 per cent of the work force, relocate after marriage. This too leads to attrition, Dasgupta notes.

Nevertheless, analysts believe that the chemicals and pharmaceuticals sector may yet invite its talented personnel to be a part of the success story, and not merely script it.

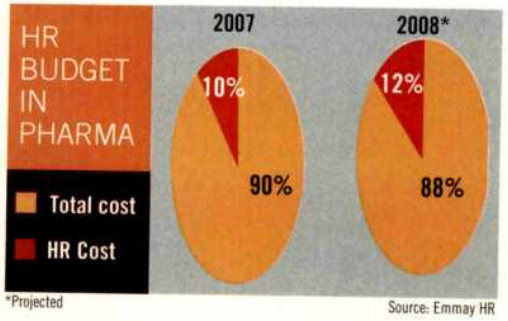
The companies in this sector realise that in 2008, they cannot retain talent by benefits and they have to be included in the sucess story down the year. Innovative schemes are also being worked out in the industry, such as training packages in the country and abroad on latest technology.

With more thrust on research and development, the chances are that the sector will make the packages attractive.

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	2.49	2.28	2.48
4-7	5.46	3.23	3.63
8-12	4.98	3.45	7.26
13+	10.25	8.92	10.37

Figures in Rs lakh



*Projected

Source: Emmay HR

TOSHIBA

Leading Innovation

Toshiba recommends Windows Vista® Business

SMS "TOSHIBA" to 56677

Ultra-slim, Ultra-light, Ultra-loaded.

Toshiba Portégé R500

Intel® Centrino® processor technology

Leave it to Toshiba to redefine true mobility in notebook computing for the executive... yet again. The new Portégé R500 is practically a paradox in notebook engineering – fully loaded power-user features in an astonishing **19.5mm***1 super-slim, **979g***2 durable body, plus up to **12.5 hours***3 of battery performance, making it the slimmest*1 and longest*3 performing computer in its class. For on-the-go-mobility, style and extreme productivity, the Portégé R500 is as much a wonder to look at as a marvel to use.

Specifications for model no. PPR50L-031003 as of June 2007, based on Toshiba survey.
*1 Thinnest widescreen 30.7cm (12.1) notebook equipped with optical disc drive, measured at thinnest portion.
*2 Model equipped with solid state drive, optical disc drive and 6-cell battery.
*3 Longest battery life among widescreen 30.7cm (12.1) notebook under 1kg, equipped with 6-cell battery according to JEITA's measurement method Ver. 1.0.

Toshiba Mobile Computing Partner:
HCL Infosystems Ltd.

Ahmedabad: 9824651617. **Bangalore**: 9844155903. **Bhopal**: 9993077677. **Bhubaneshwar**: 9937044633. **Chandigarh**: 9316520266. **Chennai**: 9840919945. **Cochin**: 9846890909. **Coimbatore**: 9994447334. **Dehradun**: 9319056109. **Delhi**: 9871062299 or 9871094959. **Guwahati**: 9831749747. **Haryana**: 9254092597. **Hyderabad**: 9949991494. **Jaipur**: 9928332222. **Jammu**: 9419191548. **Kolkota**: 9903055793. **Lucknow**: 9415043478. **Mumbai**: 9860020687. **Pune**: 9850972129. **Raipur**: 9893151488. **UP West**: 9336620154.

intel Centrino inside

Core 2 Duo inside

beyond freedom

www.pc.toshiba-asia.com

© 2007 Toshiba Singapore Pte Ltd, Computer Systems Division (South and Southeast Asia Regional Headquarters). Intel, the Intel logo, Centrino, Centrino Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Microsoft and Windows Vista are either registered trademarks or trademarks of Microsoft Corporation in the United States and other countries. All other products and names mentioned are the property of their respective owners. Availability and configurations may vary by region. Battery has a 1-Year carry-in International Limited Warranty. While Toshiba has made every at the time of the press announcement to ensure the accuracy of the information provided herein, product specifications, configurations, warranty, pricing, system/component/options availability are all subject to change without prior notice. Toshiba will not be liable for editorial, pictorial, and typographical errors. For online warranty registration, please visit www.pc.toshiba-asia.com/registeronline. RCB No.197401688Z.

Honing Talent

by K. Yatish Rajawat

Retail wants employees with the right soft skills

TRIRHIWAN SHARMA

THE CASH REGISTERS ARE RINGING, BUT IT'S HARdly music to the man behind the counter. The annual entry-level median salary in the sector ranges from Rs 1.5 lakh in the South to Rs 3.11 lakh in the North. If we count out the salaries in the North, the entry-level median salary in the sector is the lowest among all the 12 sectors in the survey. The wide variance between the South and the North can be attributed to the higher number of lifestyle stores in the North where front-end employees need more spit and polish, and, hence, are paid higher.

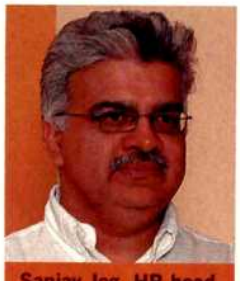
As in manufacturing, 80 per cent of the employees in retail work on the front-end and get paid low salaries. The sector is considered the last refuge of the unemployed, since a high educational qualification is not a necessary precondition; in fact, most of the employees currently in retail are not graduates.

Recruitment is not a problem for the sector; most of the brands in the sector are well known, so walk-in interviews are the norm. "Recruitment is no problem," says Sanjay Jog, chief people officer at Pantaloon Retail. "We get enough people. The problem is the attitude which is a necessary thing in a service industry like ours." Employees require rigorous training, particularly in soft skills, given their poor education and low socio-economic background. This creates some unique problems for the companies. "Most of the employees in the sector come from a lower socio-economic background, and their encounter with consumption economy creates a problem of self-esteem," says the human resources (HR) head of a large retail group.

Since most companies in the sector are doubling their employee strength every year, training becomes a key HR operation in a company. As retail is a new industry, it is investing a fair amount to provide diplomas and degrees in retail management to its management staff.

For retail, expansion is an opportunity as well as a challenge. Currently, a substantial part of the revenues of the retail chains is coming from the top 10 cities, but they are slowly and steadily moving towards tier II and tier III towns. Here they will face a new challenge of training their employees. Companies also have to recruit employees from the local community, as they want their employees to reflect the language skills of the community being served by the stores.

The sector is generous with its benefits but it does not provide stock options across all levels, nor does it provide leave travel allowance or house rent across the industry.



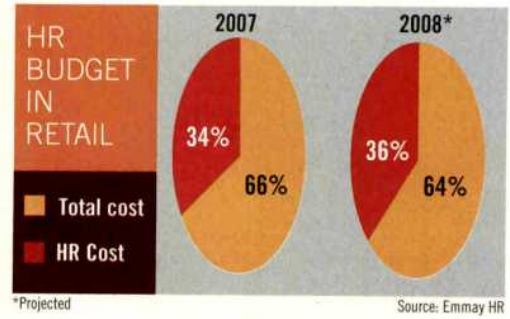
Sanjay Jog, HR head, Pantaloon Retail

"Recruitment is no problem. The problem is the necessary attitude."

ARE YOU PAID FAIRLY?

No.of years	North	South	West
0-3	3.11	1.50	1.84
4-7	4.37	4.35	4.57
8-12	9.92	8.75	10.00
13+	17.33	19.67	18.25

Figures in Rs lakh



*Projected

Source: Emmay HR

We're striving to speed up our service even further.

Refuelling an aircraft every minute is still not enough.

The more time an aircraft spends in the air, the better it is for our airline customers. That's why, at IndianOil Aviation, we speed up things on the ground. So that the aircraft hits the sky even faster.

For over 40 years now, we've been setting new benchmarks in aviation service standards that even competitors aspire to emulate. Besides certified and competent professionals, our fuel stations are equipped with high-tech hydrant systems and refuellers. We maintain a strict quality regime to meet the discerning needs of our aviation customers, both domestic and international. And between one sunrise and the next, we refuel over 1500 aircraft. That's one aircraft every minute.

Our service runs round the clock, round the year, and in all weather conditions. In times of war and peace, during natural calamities or when there's an unscheduled landing, there's one service everyone relies on - IndianOil Aviation.

IndianOil Aviation

Our groundwork takes you sky-high

- India's Largest Network of 101 Aviation Fuel Stations • Refuels an aircraft every minute
- Services all major International and Domestic Airlines and the Indian Defence Services
- Refuelling Services also in Mauritius

Grey IOCL 02-07

Carrots And Fickleness

by K. Yatish Rajawat

Benefits and perks to drive performance not salaries

"MONEY IS NOT EVERYTHING, BUT I WANT TO HAVE enough of it first to say that," seems to be the mantra of new generation Indian employees. Well, actually, companies are realising that employees want more than just that, that it's not enough to pay them and pay them well. Neither does the stick of failure or job loss work in today's world.

What works are the carrots, perks, perquisites, extras, call them what you may. Fickle employees will desert for benefits that are as frivolous as a new canteen, a better Sodexho scheme, or a pick-and-drop in a fancier car. The fickleness at entry level is not limited to the usual suspects such as the BPO sector; other sectors such as retail and telecom are also falling prey to the same syndrome.

The secret of success lies in selecting the right carrots and coupling them with performance, for which companies have to learn the tricks of keeping up with fringe benefits or compensation being offered by competitors.

The salary survey, for the first time, has mapped out the benefit practices across industries. The simple rule for allotting a carrot or benefit to a sector was if it a majority of the companies in the sector offered it. Another rule was that the benefits should be offered to a bulk of their employees and not to an elite segment. This rule led to automobiles and auto components sectors getting very few carrots, as they don't offer bulk of these benefits to their largest workforce on the shop floor.

Our list of benefits does not, of course, include the whole universe of benefits, as companies are continuously adding new ones. The HR function has to constantly innovate in designing benefits that will drive performance. And the comparison of these benefits is not limited within the sector , but comes from across sectors . To make the employees leap for these carrots is not easy.

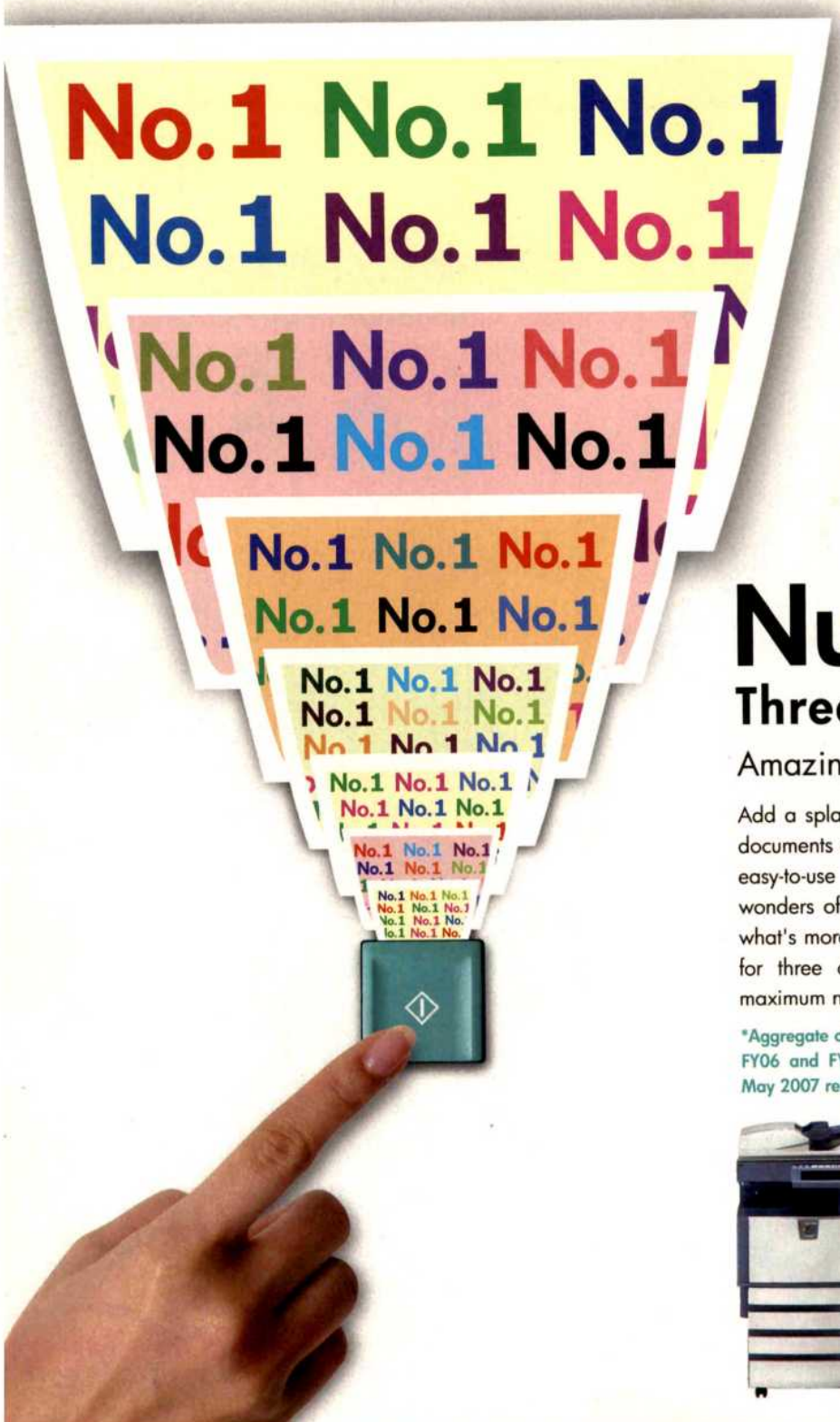
NO STICKS ONLY CARROTS NOW

Benifits	Auto	Auto component	Banking	BPO	Finance	Hospitality	Infra	Manufacturing	Media	Pharma	Retail	Telecom
Accommodation						✓		✓				
Attire allowance		✓	✓			✓		✓			✓	
Books allowance					✓		✓	✓		✓	✓	
Canteen								✓				
Club membership			✓	✓	✓			✓		✓	✓	
Driver allowance			✓	✓	✓		✓	✓		✓	✓	✓
Education allowance		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ESOP's			✓		✓		✓		✓		✓	✓
F&B discounts						✓						
Flexi benefits expenses plan												✓
Free night stay						✓						
Fuel reimbursements			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Furnishing allowance			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
House deposits			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
House rent				✓								
Life insurance cover								✓				
Loans (housing, car)		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
LTA				✓								
Meals provided							✓		✓			
Medical allowance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medical insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sodexho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Telephone allowance		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transport allowance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vacation membership				✓	✓	✓	✓	✓		✓	✓	✓
Car allowance			✓	✓	✓	✓	✓	✓		✓	✓	✓

Source: Emmay HR

TOSHIBA
Leading Innovation >>>

e-STUDIO



Number 1*

Three years in a row.

Amazingly simple. Simply amazing

Add a splash of brilliant colours to all your business documents and bring them to life. With the incredibly easy-to-use Toshiba MFPs, you'll experience all the wonders of true-to-life colours in no time at all. And what's more, Toshiba e-Studio MFPs have been No.1 for three consecutive financial years by shipping maximum number of units.

*Aggregate of Mono + Colour A3 MFP shipments during FY05, FY06 and FY07: Source IDC's India Quarterly MFD Tracker, May 2007 release.

e-STUDIO 2500c

- Select from wide range of mono & colour MFPs
- Sales & service available at 104 locations in India

HCL

For Live demo visit Toshiba e-studio at First Floor, JMD Regent Plaza, Mehrauli Gurgaon Road, Gurgaon or call +91-124-2566911/2566912/2566913, Fax: +91-124-2566914.HCL Infosystems Ltd. **Delhi:** 9810015203; **Mumbai:** 9870336584, 9821238623; **Bangalore:** 9845021788, 9845322299; **Bhopal:** 9826066669, 9826069469; **Chandigarh:** 9872633992; **Lucknow:** 9935002501, 9415501501; **Dehradun:** 9719004400, 9412055222; **Kolkata:** 9830992677, 24546893; **Guwahati:** 9957191485, 2606872; **Pune:** 9422822774, 9922429743; **Ahemedabad:** 9898906209, 9898906172; **Chennai:** 9840615615, 9840569519;

iff 08

JANUARY 29–30, 2008
The Renaissance, Mumbai, India

YOUR ACCESS TO THE FUTURE OF FASHION

CLOTHING & TEXTILES • JEWELLERY & WATCHES

Sb sourcingboard

Fashion & lifestyle business launchpad

FRANCHISING EXPO

Fashion & lifestyle concepts exposition

ASIA SHOP

Retail support system & design exposition

THE FUTURE SHOP

Retail technology show

powered by Airtel

location L3 L-CUBE

Retail real estate exposition & leasing show

fashion THEATRE

Creative fashion presentations on the ramp

fashion 08 CONFERENCE

Vison and views of brand makers, market creators and thought leaders

knowledge partner technopak

L to R: Aaron Boey, Levi's (Asia Pac) • **Kishore Biyani,** Future Group • **Phil McArthur,** Ivanhoe Cambridge Inc • **B S Nagesh,** Shoppers' Stop • **Radha Chadha,** Chadha Strategy Consulting • **Ireena Vittal,** McKinsey & Co. • **Bruce Rowley,** Apparel Invista S.à r.l. • **Laurent Le Mouël,** Promostyl • **Tony Hunt,** Motivational Management Speaker • **Darshan Mehta,** Reliance Brands • **Alain Moreaux,** Gentleman Farmer • **Lakshmi Menon Bhatia,** Gap Inc. USA • **Dr. Rolf Grisebach,** DFV Germany • **Klaus Hang,** Sportswear International SRL

For **IFF Association** contact: **Anjali Sondhi**: +91-9810204297, anjali@imagesfashion.com

For Delegate queries:

DELHI: **Sameet Rizvi:** +91-9811075388, sameet@imagesfashion.com, **Raminder Singh:** +91-9810118707, raminder@imagesfashion.com;

MUMBAI: **Waseem Ahmad:** +91 9833628852, waseem@imagesfashion.com;

BANGALORE: **G D Singh:** +91-9880146774, gdsingh@imagesfashion.com;

KOLKATA: **Piyali Roy:** +91-9831171388, piyali@imagesfashion.com

www.indiafashionforum.co.in

KSHITIJ
RETAIL DESTINATIONS
empowers

INDIA fashion forum '08

LYCRA
www.lycra.com

> CEO's CONCLAVES > CONFERENCE > EXHIBITION > AWARDS

• SPORTS & FOOTWEAR • HOME • LUXURY

INDIA FASHION FORUM '08: A PLATFORM FOR

- > Brands & Retailers
- > Textile Mills & Merchants
- > Fibre/ Yarn/ Fabric Suppliers
- > Trend Forecasters & Research
- > Fashion Designers & Line Developers
- > Wholesalers & Distributors
- > Marketers & Consultants
- > Exporters & Importers
- > Promotion & Advertising Cos.
- > Franchise Networks
- > Institutional Investors
- > Retail Design & Architects
- > IT & Security Systems
- > Support Fashion & Service Providers
- > Shopfit & Display
- > Property Advisors
- > Shopping Centre Developers
- > Trade Bodies & Councils
- > Supply Chain & Logistics

LAUNCHING

india textile forum FASHION supported by fairtma

Textiles for fashion businesses

Research trends & talk shows

8th LYCRA® IMAGES FASHION AWARDS

Email: vivek@irisretail.com
Call: +91-9311214709

Knowledge Partner

Process Approver ATKEARNEY

"Welcome to the magnum opus of the Business of Fashion & Retail, where over 100 thought leaders and global honchos will share their visions, learning and glories. While 'design' is the central theme of IFF 2008, there will be many benchmark case studies presented by global authorities and super-achievers in the business. It will also be a celebration of the fact that design not only shapes the aesthetics, but also creates the functional value and 'reason for being. Do join fashion captains at IFF to seek the future of fashion and the rightful place of design in that future."

– Dr Darlie Koshy, Chairman, IFF '08
Director, National Institute of Design

IFF '08 CONFERENCE SPEAKERS INCLUDE - Aaron Boey, Levi's (Asia Pac) • **Ajay Arora**, Dicitex • **Akhil Chaturvedi**, Provogue • **Alain Moreaux**, Gentleman Farmer • **Amar Agrawal**, SPA Agencies India • **Anchal Jain**, Primetex, France • **Anil Atri**, Gati • **Anil Lakhani**, Gini & Jony • **Aniruddha Deshmukh**, Retail & FMCG, Raymond • **Anshuman Singh**, Future Logistics & Value Fashion • **Anuj Puri**, JLLM • **Anurag Rajpal**, Apparel, Spencer's Retail • **Arvind Singhal**, Technopak • **Ashish Dikshit**, Madura Garments • **Atul Ujagar**, Nike India • **B S Nagesh**, Shoppers' Stop • **Badrinath Gulur**, Four-D • **Bhaskar Bhat**, Titan Industries* • **Bijou Kurien**, Life Style, Reliance Retail • **Bruce K. Rowley**, Apparel Invista S.à r.l. • **Chetan Desai**, Reliance Industries (OV) • **Chetan Shah**, Pepe India • **Christian R Fabre**, Fashion International • **D P S Kohli**, Koutons Retail • **D Shivakumar**, Nokia India • **Darshan Mehta**, Reliance Brands • **David Walter**, Photolink • **Dilip Jiwrajka**, Alok Industries* • **Dilip Kapoor**, Hidesign • **Dinesh Himatsingka**, Himatsingka Seide • **Dipali Goenka**, Welspun Retail • **Dr. Darlie Koshy**, NID • **Dr. P R Roy** • **Dr. Rolf Grisebach**, DFV Germany • **Govind Srikhande**, Shoppers' Stop* • **Graeme Payne**, Field Fisher Waterhouse • **Hemchandra Javeri**, Home Solutions Retail • **Ireena Vittal**, McKinsey & Co • **J. Suresh**, Arvind Brands* • **James Bettle**, Ben Sherman • **Jayshree Poddar**, Himatsingka Seide • **Jim Terwee**, G-Star • **K K Pant**, VFC Arvind Brands* • **Kishore Biyani**, Future Group • **Klaus N. Hang**, Sportswear International SRL • **Lakshmi Menon Bhatia**, Gap Inc. USA • **Lalit Kumar**, Ebony • **Laurent Le Mouël**, Promostyl • **Manoj Chandra**, Bata India • **Marc Treves**, JLL • **Marcello Pace**, Replay* • **Moreno Petrulli**, Mitor • **Mourad Amarsy**, Princess Tam-Tam • **Nikhil Chaturvedi**, Provogue • **Nish Soneji**, Pepe Jeans London* • **Olivier Horps**, Club Med Singapore & South East Asia • **P K Gothi**, Morarjee Textiles • **Pawan Jain**, Safexpress* • **Phil McArthur**, Ivanhoe Cambridge Inc • **Pradeep Hirani**, Kimaya Fashions • **Prashant Agarwal**, Bombay Rayon • **Radha Chadha**, Chadha Strategy Consulting • **Rajan Mudaliar**, ColorPlus • **Rajiv Merchant**, Portico • **Rama Bijapurkar** • **Ram Chandra Agarwal**, Vishal Retail • **Ramesh Poddar**, Siyaram's • **Ravi Thakran**, LVMH W&J, A Pac* • **Reetika M Dalal**, Forbes Brands • **Rishab Soni**, Sports Station • **Ritu Kumar**, Designer • **Sanjeev Agrawal**, Pantaloons • **Shailesh Chaturvedi**, Tommy Hilfiger (India) • **Shreyas Joshi**, Raymond Apparel • **Shubinder Singh**, Reebok India • **Shumone Chatterjee**, Levis India • **Simone Tata**, Trent • **Stephane Le Clair**, Lee Cooper* • **Sudhir Dhingra**, Orient Craft • **Sunil Pathare**, Maxwell Industries • **Suresh Bhatia**, Major Brands • **Surjit Singh**, Brandhouse Retails • **Tarun Joshi**, Brandhouse Retails, SKNL • **Theo Birkemeyer**, Mustang • **Tony Hunt**, Motivational Management Speaker, UK • **Troels Holch Povlsen**, Best Seller, Denmark • **Vijay Murjani**, Murjani Brands* • **Vinay Nadkarni**, Globus • **Vinod Sawhny**, Bharti Retail

* to be confirmed

EWDPL Redefining Real Estate

GITANJALI LIFESTYLE

AmbujaRealty

Parsvnath

KOUTONS

SAFEXPRESS Distribution Redefined

NOKIA presents IFF '08 CEO's Conclaves

Business of Fashion

Businessworld YOUR UNFAIR ADVANTAGE

SPORTSWEAR INTERNATIONAL

Drapers

RetailWeek

TextilWirtschaft NEWS | FASHION | BUSINESS

indiaretailing.com

An IMAGES MULTIMEDIA event

Business of Fashion supported by SKNL

LYCRA® fibre is a registered trademark of INVISTA

Time To Stick To The Carrot!

by monisha advani

AS AN INDEPENDENT PROFESSIONAL IN THE HUMAN resources industry for the past 18 years, I have often wondered as to how India's public sector manages to hold the distinction of being the largest employer in the country, despite the growth registered year-on-year by the far more profitable and employee-savvy private sector. The great divide of talent between the two has often attempted to be bridged by open-minded private sector employers, who, facing a dearth of talent, have sometimes trained their sights on the public sector's workforce. The outcome is fascinating. Less than 2 per cent* of solicited employees within the private sector have had prior public sector experience.

Why on earth would someone in their senses turn down over one and a half times their current earnings?

My earlier impression was that this could easily be attributed to matching gaps on account of skill and culture. Then I was proven wrong. When working on a mandate to recruit experienced banking and financial industry personnel for a multinational bank, I set recruiters to hunt top talent from nationalised banks. It was a challenge to cajole them to agree to interview. Even when they did, almost all declined their offers. This made me realise one thing. The public sector has been doing something right to be able to hold onto this talent, while every private sector employer demonstrates the insecurities of a jealous husband.

Why on earth would someone turn down an offer of one-and-half times their current earnings? Why would they not be attracted by a swanky, glass enclosed corporate haven? The answer was one word — BENEFITS.

A closer study of the reward structures within the public sector reveals what we all aspire for — security. That security, paradoxically, is not found in the popular cash-in-hand theory. It is found in affording an employee better savings by assuming the burden of part of his lifestyle through benefits such as insurance cover, housing subsidies, transport, education, retirals, loans, etc., while leaving his salary untouched.

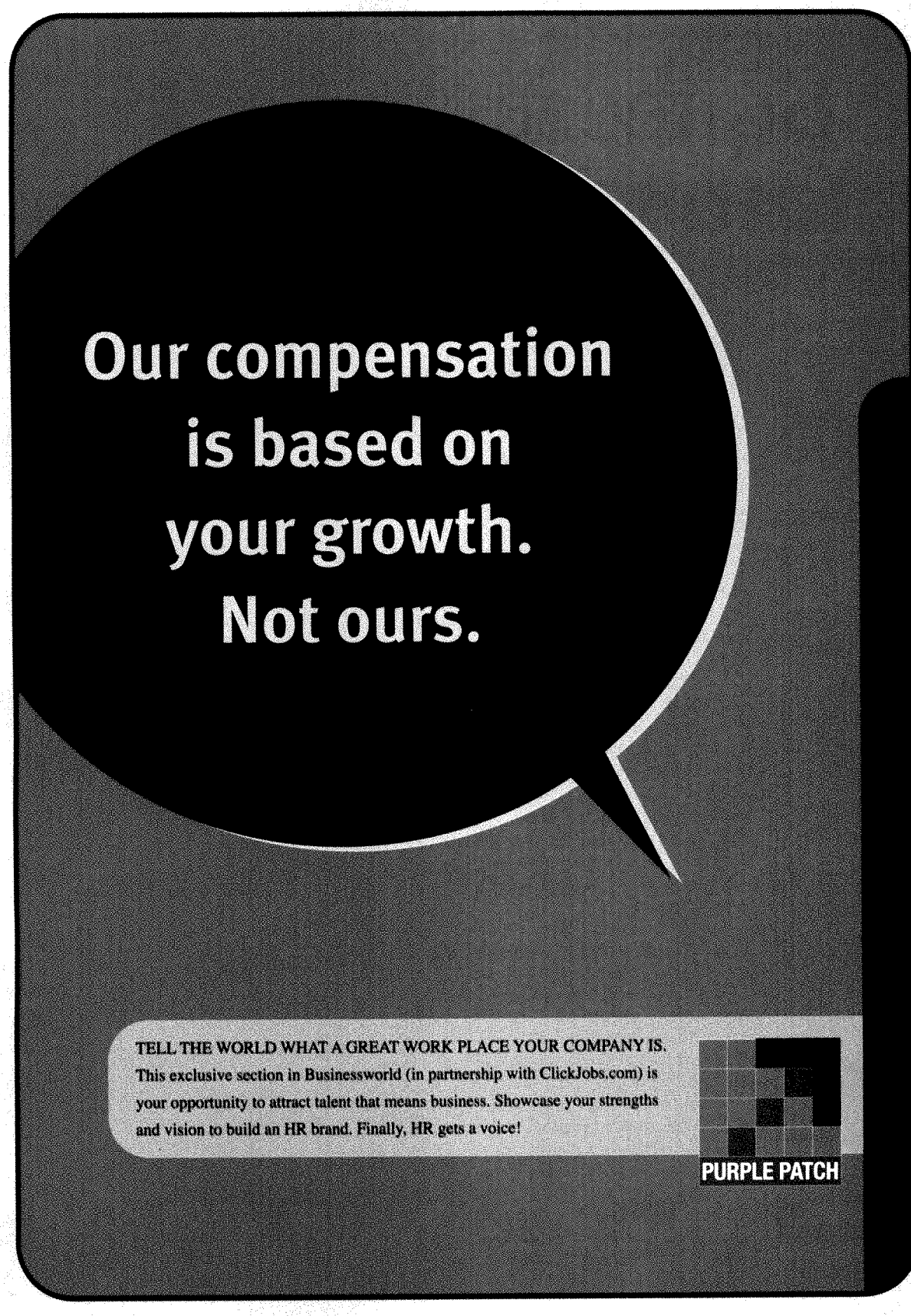
The creativity that benefits inclusion allows in compensation is to maintain a meritocracy in rewarding employees without "upsetting" or effecting increments in salaries across board. Should the employer elect to reward the employees with higher salaries, the employer would have to rationalise them across the department in the near future, thereby altering compensation cost structures across the department. This would ultimately impact the whole organisation. This can be easily avoided if the employer would, as in the first case, reward through benefits.

The obvious deterrent to this is the Fringe Benefit Tax (FBT), which has managed to dissuade even the most well-meaning employers from including benefits in a package not only to manage salary expectations, but also as an excellent means to reward deserving employees and to encourage externalising their success.

Another example is company-provided housing, which can help retain an employee merely through the benefit of convenience. Blame this on an out-dated legal system that breeds insecurity between landlords and tenants. Also,as in most scenarios where FBT is applicable, employers find it far easier to simply 'pad' the 'wad' rather than struggle with awarding benefits; a choice that makes all the difference between retention and losing that precious employee!

At a time where India Inc. is fast losing its shine on account of irrationally upward spiraling compensation costs, it is critical that the government takes initiatives to encourage employers to look at introducing creativity in its reward approach. There is much to benefit by bringing control to compensation costs and improving research through benefits best practices. After all, your neighborhood nationalised bank has been doing this for years!

The author is MD of Randstad India. The views expressed by her are her own



For research and value added services: Anirban Roy (anirban.jyotiroy@abp.in, +91 98730 77591). For advertising enquiries: North: Meenakshi Jha (meenakshi.jha@abp.in, +91 98990 43937) East: Somobanti Pal (somobanti.pal@abp.in, +91 94330 92732) West: Suprokash Mukherjee (suprokash.mukherjee@abp.in, +91 98191 49454) Bangalore: Bharat Srinivasan (bharat.srinivasan@abp.in, +91 98862 90197) Chennai: R.V. Praveen (r.v.praveen@abp.in, +91 98840 14966) Hyderabad: Amit Sinha (amit.sinha@abp.in, +91 98494 26157)

Squeeze At Entry Level

by Vishal Krishna

WHEN 26-YEAR-OLD PHILIP MOSES WANTED TO move jobs he was faced with some hard facts. First, hiring had slowed down in the services sector. Second, the compensation packages offered to him were not upto his expectations. Third, he had been in the industry for just two years, and was stuck in a junior executive position.

This trend will likely persist throughout this year, say human resources (HR) professionals and experts. "It is lateral-level recruitment for which compensation packages will rise," says Madan Padaki, director of strategy of MeritTrac, an employee assessment firm based in Bangalore.

Services such as information technology (IT) and insurance have been the drivers of hiring growth and salary increases. The US economy — the biggest buyer of IT services — is reeling from the effects of a slowdown stemming from the subprime mortgage crisis, which is still unfolding. And technology is the first place where expenditure is hit.

But that's not all. "There is more to the recruitment story than just the credit squeeze in the States," says E. Balaji, chief operating officer of Mafoi Consultants, an HR consultancy firm based in Delhi. "Companies have scaled up without building a talent base in India and now they are facing a crunch."

Hiring slows down and salaries shrink at junior level

For thousands of graduates and job-seekers, this is bad news. After three to four years of high wage and job growth, they are faced with the possibility of being unemployed for some time. As call centres and back offices see a decline in business, the prospects of a large population of people looking for jobs, and those seeking to better their prospects either in their current positions or in rival organisations appear dim.

A Smaller Demographic Dividend?

A 2006-07 Nasscom report says that there are 3.5 million graduates in India; in this large pool about half a million have a technical educational background. The rest are in professional and other undergraduate colleges. Combine this with the age demographic where 50 per cent of the population is under the age of 25, a large pool for employers.

The salary packages for that pool will partly determine the growth of the urban economy. A study conducted by Ernst & Young says that urban youth between the ages of 18-32 will be the main drivers of consumption in the Indian economy (see 'National Index of Communication Skills', page 90). In urban India, that is 43 million people in this age group, and who have, on average, a discretionary income of anything between Rs 4,500-6,000 per month. Their wage compensation is an important determinant of their lifestyle and spending habits.

Other factors have come into play. "Compa-

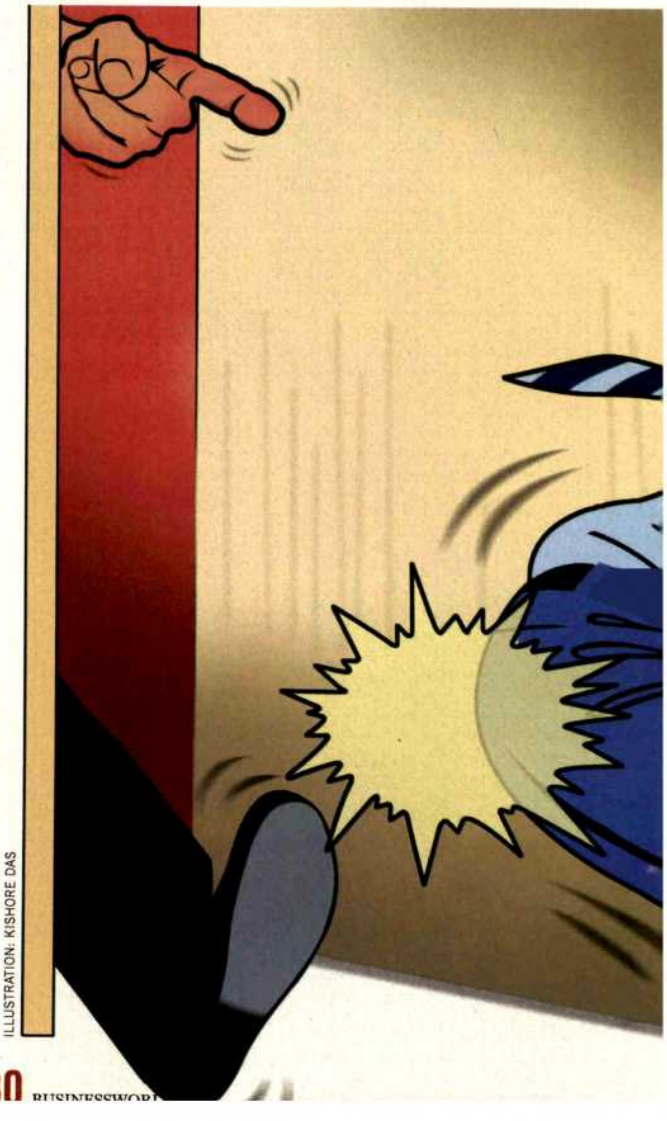


ILLUSTRATION: KISHORE DAS

www.bits-pilani.ac.in

It takes a world class institution to help make India a developed nation.

Late Shri G.D. Birla
Founder Chairman, BITS Pilani

VISION
"...to develop a scientific approach in Pilani...no dogma...search for truth... cultivate a scientific mind."

Dr. K.K. Birla
Chancellor, BITS Pilani

MISSION
"...to prepare young men and women to act as leaders for the promotion of the economic and industrial development of the country and to play a creative role in service to humanity."

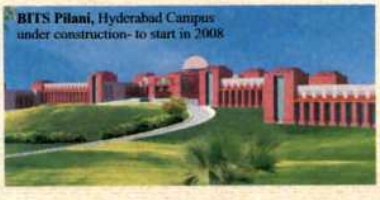
BITS has produced a large number of graduates who have made their mark in various industrial sectors such as Manufacturing, IT, Infrastructure, Consultancy, Finance, Arts and also in Government and Academia. Notable alumni of BITS include:

- **Prof. Krishna Saraswat** (Rickey Nielson Professor of Engineering, Stanford University, USA, and winner of the prestigious ISO Techno Visionary Award)
- **Prithvi Raj Chauhan** (Minister of State in PMO)
- **Baba N Kalyani** (CMD, Bharat Forge Ltd.)
- **Vivek Paul** (Former Vice Chairman, Wipro and currently Partner, Texas Pacific, USA)
- **GK Pillai** (Chairman & MD, Heavy Engineering Corporation Ltd.)
- **Subodh Karnik** (CEO, ATA Airlines, USA)
- **Puneeta Pandey** (CEO, Netcustomer)
- **Mani Shankar** (Noted Film Director)
- **Rajesh Hukku** (Senior VP & GM, Oracle; Chairman, i-flex Solutions)

BITS Pilani, Pilani Campus

BITS Pilani, Dubai Campus

BITS Pilani, Goa Campus



BITS Pilani, Hyderabad Campus
under construction- to start in 2008

Features that set BITS apart

- High-quality students
- Multi-campus university
- Student strength: 8000 at Pilani, Dubai & Goa Campuses and 12,000 in Off-Campus Work-Integrated programmes
- Computer-based online admission test (BITSAT)
- Academic Flexibilities -Dual Degree- A unique combination of science and engineering education
- Cafeteria approach to course offerings since 1970
- Continuous, internal, transparent evaluation system
- Practice School - Strong linkages with Industries
- State-of-the-art institutional library with over 2 lac books
- Campus-wide IT network
- Scholarships to 22% of students
- Many Board-toppers join every year
- Large number of alumni in top positions in India and abroad
- Industry sponsored projects
- Many societal development projects- rain water harvesting, desert development technologies, women empowerment, healthcare, gyanbodh
- Culturally vibrant campus
- Collaboration with foreign universities of repute

BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE, PILANI

EDUCATIONAL INNOVATIONS
ENDURING RELATIONS

www.thecreativewarehouse.net

nies have now realised that more than the employee cost, the costs of hiring are going up," says T. Muralidharan, managing director of TMI First, a Hyderabad-based recruitment firm. "Employers will now bring wage packages down by hiring people with alternate degrees."

How high has the cost of hiring gone up? Data is not easy to come by; companies are unwilling to disclose their spending on finding, assessing and acquiring the right talent.

Downturns and Upticks

Business downturns play a role too. The business process outsourcing (BPO) industry had about 180,000 people on to their rolls in 2006-07. But now, salaries in IT services could drop to 11 per cent growth this year compared to previous three years, when salaries were growing at 15-16 per cent every year. And then, there is the impact of the subprime mortgage market crisis that has led to some layoffs, and reduced hiring. Not everyone is worried about that though.

"It is only a small part of the larger job economy. In fact, jobs will come here, especially in the high end IT services," says Balaji. The Indian economy is expected to open up jobs in other businesses, including manufacturing, tourism, healthcare, media and entertainment. These industries increasingly look towards IT to increase competitiveness. If big companies stop hiring, the small and medium enterprise segment will become an important source of growth for the domestic IT services market, says Nasscom. "Also, don't forget that most companies have exhausted their hiring budgets for the last year," says Balaji.

So, will IT salaries continue to rise as they have done in the past? Recently, Nasscom conducted interviews with chief information officers around the country. According to the association, "There was a strong perception among a majority of the CIOs that domestic customers were not a focus area for IT service providers and that the IT service providers rarely offer Indian customers the kind of commitment and expertise that they provide their large (and necessarily more lucrative) global customers. The CIOs also strongly believe that the potential of the domestic market is still not appreciated by many of the IT services players."

The Money Makers

The growth of financial services such banking, insurance and mutual fund industries, which are trying to penetrate the domestic market even deeper, will add more jobs this year. "The insurance industry will continue to hire this year, mostly at the entry and middle levels to enhance our distribution networks," says U.S. Roy, CEO and managing director of SBI Life. "Compensation packages will stay competitive in the financial services industry as a whole." Then there is real estate and infrastructure. Some research studies suggest that salary levels in these businesses will grow at 9 per cent.

Even traditional manufacturing industries may see competitive salaries, albeit, in specialised areas. "Engineers are sought after in the industry and compensation packages will remain high for our design teams," says Gopal Patwardhan, chairman of Autoline Industries, a mid-sized auto component maker located in Pune.

And then there is banking. "Public sector banks have opened up employment after a long time, which will hire at the entry level this year," says Padaki of MeritTrac. What these companies want is more service and sales oriented talent. The talent is also being taken from a broader base of urban centres, as in tier -II and -III cities such as Nagpur, Lucknow and Kanpur. Given lower skill sets, wages are lower too.

But if the financial sector shows promise, head hunters also point to sectors where things didn't work out well, such as organised retail, which could slowdown their hiring plans because of supply chain inefficiencies and policy issues that rubbished their expansion plans in states such as West Bengal and Uttar Pradesh.

Indian recruitment firms continue to rely on optimistic estimates for the growth of the Indian economy which will drive job and salary growth. But cracks are beginning to appear in that confidence. We are beginning to see some signs of slower wage growth, even if the momentum is yet to pick up. IT and financial services have been the two industries where wage growth has been the highest; any decline in the economy cuts IT spending by companies, and any disruption in financial markets has similar effects in the financial sector, on bonuses, and wages. Hold your breath, and hope that the good times will come back, and roll.

vishal.krishna@abp.in

NATIONAL INDEX OF COMMUNICATION SKILLS

Performance of graduates in the MeritTrac Spoken English Test

Region	Voice clarity	Accent neutrality	Fluency	Grammar	National index
East	84.80%	33.60%	29.20%	23.00%	85
North	52.79%	35.28%	32.36%	33.69%	60
South	94.27%	13.29%	22.71%	13.78%	38
West	71.73%	23.86%	23.71%	21.43%	44
All India	90.91%	15.71%	23.43%	15.41%	41
Tier I cities	86.71%	21.66%	27.74%	20.40%	58
Tier II cities	94.86%	10.12%	19.39%	10.73%	25

Overall throughput for graduates: 10 per cent

Source:MeritTrac

Sky is no limit for India's largest crane hiring company.

Not to mention that we are also the world's 12th largest...

Lifting capacity from 20 to 800 tonnes. Over 265 cranes. A pan India location of depots and workshops.
The applications of our cranes are in core industrial sectors like:

• Windmills • Power Plants • Refineries • Petrochemicals • Steel Plants • Cement Plants

LIEBHERR - the No. 1 Crane manufacturer in the world

New Crawler Cranes Order Status

Model	Capacity	Executed	Pending
LR 1400/2	400 MT	8	12
LR 1750	750 MT	1	1
LR 11350	1350 MT	-	1

ORDER OVER RS. 475 CRORES

Sanghvi Movers Limited, Tathawade, Pune. Website : www.sanghvicranes.com

SANGHVI

Back To School

by Manashwi

Plugging the gap between education and employability

IT IS HARD TO BELIEVE THAT INDIA HAS A MANpower problem when more than half of its 1.25 billion citizens are less than 25 years old. The numbers add up but their employability and training don't. Every year, nearly 150,000 postgraduates and 350,000 graduates seek jobs but industry estimates say only a quarter of the applicants are skilled enough to be profitably employed by industry (see 'Educated, But Unemployable', *BW*, 25 December 2007).

"The education system in India is designed to cater to an archaic audience for whom a degree is a social must," says Surajeet De, president of new businesses at NIIT. "That it may provide employability is still just an add-on."

Trying to fill this repressive gap are specialised schools that are turning training into a sunrise industry. But even that is not enough. The salary survey shows that retail, banking, IT, BPO, automobile and telecom sectors are already mobilising resources to resolve the problem with in-house initiatives. More will inevitably follow. Indeed, it must.

"Training in the banking industry is varied. It involves soft skills for employees who face customers and financial or banking practice related training for employees in other functions and leadership for senior management," says country head of HDFC Bank, Mandeep Maitra.

CORPORATE INVESTMENTS IN TRAINING

	Current Spend (2008)		Predicted Spend (2009)	
	Total Traning Spend: Rs 4,000 cr		Total Traning Spend: Rs ~5,000 to 5,300 cr	
	Top 6 Sectors: Rs 2,400 cr		Top 6 Sectors : Rs ~3,000 to 3,200 cr	
Sector	Companies invest (Rs cr)	Outsourced spend (Rs cr)	Companies invest (Rs cr)	Outsourced Spend (Rs cr)
IT	1000	400	~1400 to 1600	~750 to 800
ITES	400	250	~1000 to 1200	~450 to 480
BFSI	600	260	~500 to 800	~400 to 440
Retail	130	70	~200 to 400	~120 to 170
Healthcare	180	50	~220 to 250	~100 to 110
Hospitality	90	60	~150 to 180	~90 to 100
	2400	~1050	~3000 to 3200	~1910 to 2100

Source: Aptech

"The total spend on training by corporates, is currently pegged at Rs 4,000 crore (see table 'Corporate Investments In Training'), half spent on induction," says Pramod Khera, chief executive officer of Aptech. More than 40 per cent of such training is outsourced today, creating a Rs 1,050-crore market in just six sectors.

As opportunity knocks deafeningly, it has impelled a rash of action, some concerted, and others merely avaricious.

A Knowledge Industry

A 2006 Ficci study shows the banking and finance sectors faced an alarming shortage of professionals across functions. These figures red flag a runaway problem: the survey found a 90 per cent shortage of risk managers; IT professionals - 65 per cent; credit operations professionals - 75 per cent; financial analysts - 80 per cent; wealth managers - 80 per cent; economic planners and analysts - 80 per cent.

ICICI Bank and NIIT came together to launch the Institute of Finance, Banking and Insurance in 2006 to cater to precisely these needs. "Students enrolling in the six-month diploma in banking operations are not only assured an internship but get a appointment offer simultaneously," says NIIT's De. HDFC Bank and Yes Bank also support the institute now.

De believes that talent shortage has always been present but now, due to the high volumes of quality talent required by the growth sectors, corporates are looking beyond internal training and hiring professionals to fulfill this need.

Aptech, which began as software educator, acquired aviation training services, Avalon, in 2006 to cater to the manpower crunch in the airline industry. Aptech also gives the employees of several organisations industrial training (product sales, information on the latest technologies) and soft skills courses (customer relations, daily etiquette).

Each sector adds its own tragi-comic spin to the situation. India is expected to have 220 million square feet of organised retail space by 2010, which will be serviced by an additional 2.5 million personnel in the next five years. Here, private enterprise is stepping in to profit from the retail recruitment crisis.

For example, Cosmo Aviation Training School, launched Global Retail School (GRS) that offers a one-year diploma in retail management in association with Annamalai University, and three- and six-month certificate courses in alliance with Bharti Resources, a subsidiary of Bharti Enterprises. "We are looking at a turnover of Rs 50 crore at the end of the first year of operations," says GRS' Managing Director, Priyanka Khosla. GRS is targeting 12,000-15,000

TRIBHUWAN SHARMA

ADDITIONAL HANDS: To qualify its employees ICRI started the first dedicated clinical reserach institute in India

students, primarily from tier-II and -III cities.

On the other hand, the Institute of Clinical Research India (ICRI) was created in response to the rapid growth that followed India's withdrawal from the ill-fated WTO Agreement on Trade Related Intellectual Rights (TRIPS), effective end of 2004. "In spite of a growth rate of over 100 per cent and a price realisation three to four times that of the software industry, almost no university provides coursework relevant to the clinical research industry," says Shiv Raman Dugal, chairman of ICRI, which offers a Masters degree, in association with the UK-based University of Cranefield and a diploma.

Look No Further

Others look within. The Future Group hires fresh graduates, and even students who have just passed Class XII, for its retail outlets. A five-week induction programme on product knowledge, customer service and related skills is followed by a stint in Future Group's in-house finishing school, Gurukool.

"This curriculum is designed to build self-esteem and people skills of our employees," says Chief People Officer of the Future Group, Sanjay Jog. "Retail is often not the first choice and we try to overcome that attitude at Gurukool."

Distance learning BBAs or two-year MBA courses for employees, offered in conjunction with partner universities such as Mumbai-based Wellingkar and K.J. Somaiya, take this line of thinking further. For example, short-term training programmes on subjects such as visual merchandising, which is conducted in collaboration with Delhi-based Pearl Academy. "Such a structure enables us to create managers instead of looking outwards," says Jog. "The 1 per cent of our turnover that we put into human resource development is a true investment." He adds that Future Group is now able to fill all its mid-level vacancies from within.

Money Matters

With demand outracing supply, its innovation that navigates HR initiatives. Campus trainees ranked below acceptable industry standards are being viewed as highly 'mouldable'. Lehman Brothers recruited six graduates at salary packages of Rs 14 lakh, comparable to those offered to entry-level MBAs.

At the cusp between a transition economy's dream for livelihoods and a human resource nightmare for resurgent industry, specialised training struggles to supplement ineffectual formal degrees. Industry bodies and government authorities must come together to create training institutions of excellence.

manashwi.banerjee@abp.in

Beat Them, Or Join Them

by srikanth srinivas

Contrary to perceptions, sovereign wealth funds do not put economic and financial stability at risk

WHAT IF YOU ARE THROWING A BIG PARTY BUT no one comes? That's the question that US analysts are asking about their Federal Reserve Board's (the Fed) cut in policy rates — the Fed funds rate. This is the target that banks charge each other on overnight money, and the discount rate that the Fed charges the banks on money it lends to them against the highest quality assets. On Tuesday, the Fed took the drastic step of cutting rates ahead of its scheduled date for such a cut, the Federal Open Markets Committee (FOMC) meeting on 30 January.

This is the first time that the Fed has implemented such a big cut in 25 years. It is also the first time since April 2001 — when the central bank cut rates by 50 basis points (half a percentage point) a month ahead of time — that the Fed has announced a cut ahead of a scheduled FOMC meeting. The Fed's statement indicated that the risks of a recession were getting stronger. Some analysts interpreted the move as a response to the collapse in global equity markets.

Felix Salmon, sometime writer with Euromoney magazine was one of them. He says the Fed's job is to keep employment high and inflation low, not protect the capital of investors' in stock markets. So, has the Fed panicked? The Fed's rate cut, to some, implies the recession has already arrived. They expect a further cut of 50 basis points at the 30 January FOMC meeting.

But will it work? Here's a colourful analogy. "The Bernanke Fed is like a 19-year-old army trainee who's never fired a shot in anger and is suddenly dropped behind enemy lines with an Uzi. He's shaking in panic but gripping his trusty gun tight, secure in his ability to destroy whatever foe he comes across. The problem is, he fires off a half-clip in panic every time the wind rustles the trees. Pretty soon he's going to stumble right into an enemy squadron and pull the trigger, only to hear the fateful 'click-click' that indicates he's out of ammo. And anyone who's watched a war movie knows what will happen then."

On our own shores — before the market crashed on Monday — expectations of a Fed rate buoyed hopes that more capital flows would result. Now, not everyone is sure. Market folks are waiting to see what the Reserve Bank of India (RBI) will do in response to the Fed's actions.

Will the RBI reduce its policy rate? The economic situation between the two countries is nowhere near comparable. Yes, they may be some moderation in growth rate, but it will still be above 8 percent. Inflation is at a comfortable level; sectorally, there may be some adjustments, but nothing threatening.

The RBI has two policy rates — a repo rate (the rate at which banks borrow from the central bank against their holding of government securities when they are short of cash) at 6 per cent, and a reverse repo rate (the rate at which banks park excess cash with the RBI in exchange for government securities on which they earn a return) of 7.75 percent, with a band between them of 1.75 per cent. For monetary policy purposes, actions are taken on the band. For markets, the interest rates on most assets are set in relation to the upper level of the band.

The Fed rate cute widens the interest rate differential between Indian and US rates (now 4.25 per cent), opening up possibilities for arbitrage and capital flows, and consequent exchange rate appreciation; exactly what the RBI wants to avoid. In the Fed's 2001 rate reduction cycle, the RBI held its policy rate. The interest rate differential between US and Indian rates reached 4.75 percent on December 14. At its next credit policy announcement on 8 March 2002, the RBI reduced its rate bringing the differential back to 4.25 percent.

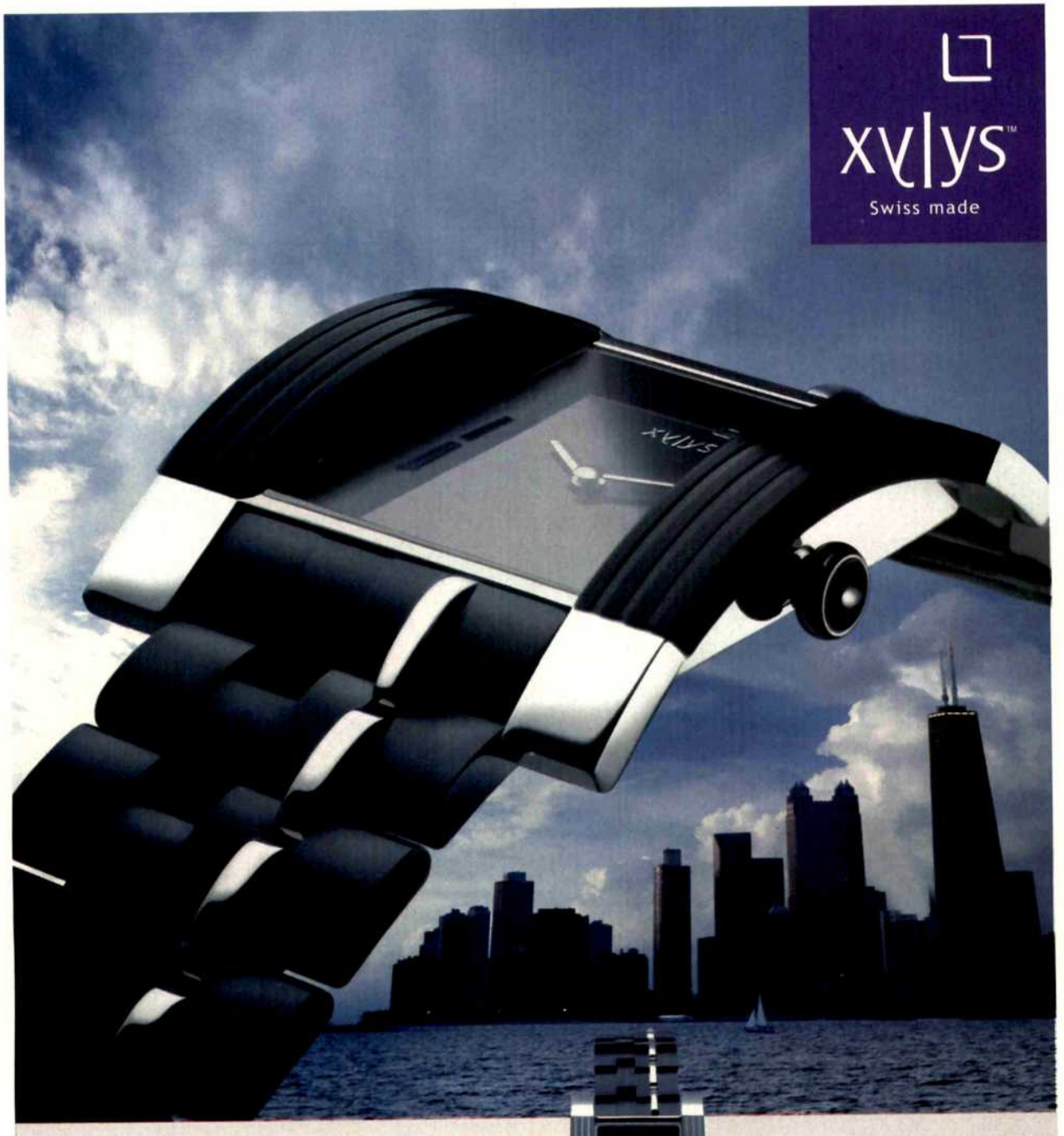
With a further cut in Fed rates of 50 bps expected on 30 January, the policy rate difference will be 4.75 percent again. The RBI announces its monetary policy a day before. Will our central bank cut rates too? Mark your calendars.

INDIA-US POLICY RATE DIFFERENTIAL (%)

Date	Fed Funds rate	Reverse Repo rate	Interest Differential
22 June 01	4.00	6.50	2.50
29 June 01	3.75	6.50	2.75
31 August 01	3.50	6.50	300
26 October 01	2.50	6.50	4.00
14 December 01	1.75	6.50	4.75
8 March 02	1.75	6.00	4.25

Source: *BW* Research

srikanth.srinivas@abp.in



A BRIDGE TO TIME.

- Eight jewels for smooth functioning
- Sapphire crystal with anti-reflective coating
- Water resistant up to 50 mts
- Swiss movement: Ronda 762

BROUGHT TO YOU BY TITAN INDUSTRIES LIMITED

Available at: WORLD *of* TITAN and select Multi-brand outlets. **Also available at:** lifestyle | Shoppers Stop | CENTRAL

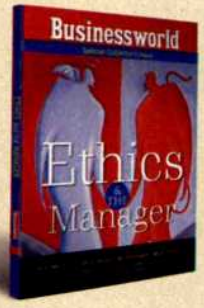
For more information call: 022-26434010 / 022-66932816. Toll free no: 1800-22-4750

BATES DAVID ENTERPRISE/BLR/XYLYS/072

PRESENTING

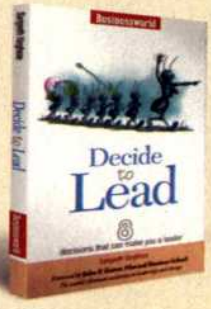
NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.

+



Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-



+

Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order, fill this form & mail it to us:

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

In case you wish to gift the books, please fill in the following information:

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499/-

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.):** _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147
Email id: businessworldsubscriptions@abpmail.com.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation of the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

Lonely At The Top

All of the great leaders have had one characteristic in common it was the willingness...

by meera seth

...TO CONFRONT UNIVOCALLY THE MAJOR ANXIETY OF their people in their time. This, and not much else, is the essence of leadership.

— John Kenneth Galbraith

Nandikesh Syal looked up as the door to his room pushed open. Victor Purushottam, his Operations Director stood there holding the doorknob and looking like death. Nothing was going to startle him, thought Nandikesh. He had been through enough the past few weeks.

And presently Victor said, "It's about Salil Kaunteya ..." Salil was his Art Director, who had resigned four days ago. Nandikesh groaned pitifully and said, "He has agreed to stay back?" Victor shook his head. "Just saw the announcement on exchange4media, he is joining Velvet India."

Nandikesh started breathing rapidly, then reached for his Asthalin inhaler. He was not sure how well he was going to be. "Velvet?" he asked in disbelief. "I mean this is not done! What is going on?" Victor was very restless. Whatever else he knew was only rumours; sharing them with Nandi would be risky.

Last night he had heard that Velvet was planning on setting up its own agency — and Salil would be the CEO. Victor's stomach had turned. He was filled with utter anger. It was 2 a.m. when he had been told this. He had called Salil then. "Is this true?" he had asked. "I need the money real bad Victor," said Salil. "How much money can that be and how badly?" asked Victor Purushottam.

"Well, I will make in a year what you will save in your lifetime," said Salil. Victor cursed. Salil was handpicked and groomed by him 10 years ago. He made him what he is today. "You sold your soul? You are disgusting!"

"No," said Salil with a straight voice. "Just hiring my soul for a year, make my fortune and withdraw." Victor could not reveal all this to Nandi. It would crush him.

Nandi shut his eyes. Nothing made sense anymore. A pall of gloom draped the furniture and walls of Kohl India where he was the CEO.

Bracing himself, he said to Victor, "We will sail out of this, you have my word. Right now I need to be at Naman's school. There is a little ceremony over his becoming head boy. I will come back in 2 hours."

ILLUSTRATIONS: ANTHONY LAWRENCE

Principal, Father Daniel, was saying: "You must know what it means to be the head boy, Naman. The perception of people about their leader is very important; you would know, since you read international news everyday. There goes with that title some serious perceptions — perceptions as to dependability, infallibility, wisdom, justice, fair play, lordship. These are reasons why you got elected, and these are reasons why they look up to you... Therefore, when they talk, pay attention, son. They just may be telling you where you are failing."

Nandikesh was moved. When Naman left for

his class he said, "The Head Boy thing is a serious event here!" Fr. Daniel smiled, "Yes. You must see the devotion in the eyes of the 4th and 5th graders; They call him 'Sir'. Devotion is touching, Mr. Syal, but it also brings pain because faith and devotion are very fragile. And it breaks through the agency of the leader...."

When Nandi stepped outside the portals of the school 20 minutes later, it was as if the floodgates were opened; with a 'whooosh' the entire gamut of his agency, the silent war that had been raging for the past many weeks, the crushing costs, the struggle on the new business he was pacing at Velvet India..., they all came with renewed force, and overpowered him.

Kohl had started 14 years ago as a fledgling, straight on the first wave of liberalisation. It remained a struggle through the years; the clients were good, wholesome, but not the adventurous Rs 5,000 crore sorts; and Nandi wished for at least one such client. Last year when he had to delay salaries because there was no cashflow, Nandi thought enough was indeed enough. This weakening caused him to make a pitch for Velvet India's Rs 100 crore advertising budget, 18 months ago. And that had been the destined moment in his life for with it came one problem after another.

Victor had been completely against the pitch. Not because it did not make any business sense but because of the overwhelming perception that Velvet was a manipulator, a ruthless operator. What made this whole thing very difficult all round was the fact that Velvet's CEO Ramandeep Jain was Nandi's school friend. They had grown up together, shared lunch boxes, and as such friendships usually go, to Nandi's mind Raman could not be unscrupulous.

And Kohl India won the accounts of two of Velvet's businesses, both headed by Ranjay Singh, Ramandeep's blue eyed nephew. Nandi was beside himself with joy. The revenue would loosen their fists tremendously, he felt.

Work started and taking courage and faith in the size of the budget, Nandi went on a spending spree, wanting to show off his creative talents, his sharp team, his great agency. The honeymoon lasted a few months. Soon it became clear that Raman, his childhood friend, had grown up. He became scarce, would not deal directly with the Kohl team and worse, he retained the approving authority which he was rarely around to exercise.

Raman also always wanted everything the very next day or week. The deadlines were inhuman but Nandi bent over backwards to meet them, urging his team to run faster. Soon, this became a way of life and people at Kohl started complaining to Victor. Family lives were in the gutter. For days husbands didn't meet their wives. Young parents were suffering the guilt of staying away from children. At the end of three months, Kohl lost four servicing managers.

Devotion is touching, Mr Syal but at another level it brings pain because faith and devotion are very fragile. And it breaks through the agency of the leader...

Raman began to 'invoke' his familiarity with Nandi. He sent word that Kohl should 'somehow' hire Jake D'Costa a coveted creative resource to work on Velvet. Jake asked for three times his current cost to company grossed up for tax. Pitifully, Nandi agreed. Victor was disbelieving; "What are you doing?" he gasped. Meanwhile Velvet brought out its rule book: it would pay only 60 per cent of all bills (credit period 60 days); the remaining 40 per cent would come after the job was completed. Trouble was the job was deemed completed only when Raman blessed it; that rarely happened.

The cheery camaraderie which usually marked the hallways of Kohl, was gone. In its place was the kind of stiff dull silence found in stiff dull organisations. Kohl had been a happy place until Velvet was signed up. Now the stress began to show, endorsed by a skyrocketing cost graph. Victor had begun to resist, protest and complain. But Nandi said, "This one fat account will iron out all furrowed brows! Be patient. Your attitude will help!"

Victor faced his people daily, faced their ire and their tiredness and exhaustion. The long, thankless working hours were now beginning to take its toll. The art department had refused to work till their suppliers were paid and Victor had no money. He called Ranjay at Velvet, only to hear, "I don't pay out of my wallet, my friend. There are departments who handle this, please do not call me for such things.."

Then came the bad news. Velvet merged with Caparo and the resulting business Velcap was restructured and regrouped into three different business units. Velcap's spokesperson sent a message: Rishikant Dang is the chairman, Velcap Recreation. This is to inform you that Ranjay Singh no more works for Velcap nor do we take responsibility for acts done by him in our name. I wish to also take this opportunity to let you know that until further notice, the services of Kohl to Velvet stand rescinded."

Victor lost his balance. Rs 1.62 crores of bills with Velvet, unpaid. Most of this was for a CSR film that was produced at very high cost and the producer had not yet been paid.

Victor received a mail from Velcap's spokesperson that Kohl's contract was now null and void consequent upon the dilution of Velvet India and the formation of Velcap. Victor did not like this at all.

Upset, Victor drove down to Velcap's office and met the spokesperson, Guru Khanna. Guru said, "Those bills pertain to Velvet, isn't it? Now

there is no Velvet. I am an employee of Velcap. But I have a diktat from Raman himself that every month his office will pay 10 per cent of the pending bills on receiving clearance from me on the new jobs."

* * * *

Victor decided he was not taking his eyes off the Rs 1.62 crores. He had just staved off an explosive encounter with his suppliers who had threatened to sue Kohl u/s 434 of the Companies' Act and declare it bankrupt. For it had been now 10 months.

Elsewhere, Nandi was drawing up fresh plans for Velcap's Public Issue. Victor couldn't believe this. But he didn't have to do anything; the others did it for him. The six account executives, the creative head and the art production teams said, "We will not work on Velcap anymore, sorry Nandi."

Nandi called in Victor, "You set them up on this, didn't you?" Victor didn't need this, "Stop being absurd Nandi. Or do I even need to do that Nandi? Look what we have gone and done ourselves!"

"Our people are our assets Nandi, have you met them in the last 11 mnths? A huge part of our profits have disappeared. Have you seen our balance sheet and P&L? Yes, I am declaring war now. I have the choice of grovelling before Dang, wagging my tail to get the Rs 1.62 crores ; or I cringe about doing this, and sit waiting for Raman to tickle my chin. Neither, Nandi. I am filing a suit with the 3As of I, cutting my losses — in short Velvet or Velcap or whatever they call themselves, is OUT!"

Nandi was outraged. "That account is worth Rs 8 crores to 12 crores! Don't axe your feet over small change! We need the money Victor, how long are we going to scrape the bottom?"

Victor sat before Nandi and looked at him, "See sense Nandi. We are up against a wall. They have gypped us. Raman may have shared his lunch box with you at 9, but face the truth Nandi, at 53 he is taking you for a ride. It's true. They were known for this, everybody warned us, you are the only one who did not hear the warning. We have no money to hire staff. They are paying us half the negotiated rate, the art department has no face to show its suppliers and I have no face to show the art director. I have a revolt on my hands! I am tired reasoning with them, I have no more logic to offer. What do I tell them? They have been working virtually 24/7 for weeks!"

Truly Victor was up against a wall. "Nandi does not stay late. He does not have to face an irate wife or be a husband, worried stiff, because the wife is coming home in the wee hours of the morning! And all this for a client of questionable values? Why do we need to do this? Is this what we need to do to earn money?

Victor thought, "the difference my dear friend lies in a single truth: you invested money in Kohl so you will naturally guard money; I had only goodwill and reputation to invest; that is what I am guarding."

Nandi grew belligerent — "Why are they grinding in their heels? What am I doing all this for? So that we can move a few rungs and be counted as a medium sized agency!" And Victor said, "Nandi I am surprised you have not sensed it. This is about much more than working late or working for free. Velvet's reputation precedes it. Our people do not wish to climb to the top on Velvet's shoulders, can't you see?"

Kohl was set up by Nandi and Victor; Nandi was a film maker too, with a covetable qualification in cinematography; Victor, had business skills and a heart that was aligned with his head so that he was very comfortable rejecting business which did not add to peace of mind. Nandi was not unscrupulous; he was not flighty; he was not indiscriminating. No. He was a man of deep values, deep insight. His only failing was his obsession with growth.

But as Victor would later observe, the difference my dear friend lies in a single truth: you invested money in Kohl so you will naturally guard money; I had only goodwill and reputation to invest; that is what I am guarding.

This morning, Nandikesh Syal, chief officer of Kohl was on page 3 with Velvet's Ramandeep with a caption that talked about Kohl being Velcap's agency.

The Kohl staffers cringed. Something was changing and rapidly too. This simply was not Kohl's style. The resignations followed quickly one after another. Rituparna's resignation was the last straw on Nandi's back. Kohl would have

no leg to stand on without her. "Atleast stay till the teams are in place and we have got the work off the ground!" he said artlessly to her.

Nandi blamed Victor. Victor shook his head. "Nandi, you tell me, would I do this? This is not about you Nandi. They surely realise you are doing it for money, but hear them Nandi, hear them. They are saying, money is not all that we work for...! As a leader you must listen when they talk and they may not always talk in words. Sometimes their silence will speak volumes!

Rishabh Raj the head of HR would not agree easily. "Can we take responsibility for how our neighbour behaves or how our client does his business?"

Victor: No you cannot. But you can be responsible towards your people by not doing business with a client whose morals are in doubt. All I am saying is, if the people are not happy with a given set of issues, top management has a duty to hear them out.

Rishabh: These 'people' as you call them, can they take responsibility for the continuity of the business? That if there is no money tomorrow to pay rent then they will go out and raise the money? No! So let's be reasonable! Nandi as MD is doing what is good for the business!

Victor: The issue is leadership, not just business management. How important is the perception of the people about the MD?

Rishabh: Before that comes a bigger question, What are people willing to do for the leader? He has set up this business, he has shepherded the business, made sure there is bread on the table.. If the very same business is today in need of money and such money is to come from a client who may not be top drawer, can't the people grin and bear it? Why are they holding the organisation to ransom? I can understand if there was a choice and they are saying no to choice A and yes to choice B. Here it is choiceless...!

Victor: I am wondering why you have lived with these questions for 5 months but not chosen to ask the staff themselves! But I will answer some of your questions: Was Velvet a solution to a problem or was it a business opportunity? Then again there is this whole issue of business versus collective conscience. The collective conscience of this organisation represented by the voice of the people says a resounding NO to Velvet for reasons of morals, ethics, honesty, good practices etc. Velvet is known to have defrauded, claimed lower excise levy through dishonest classification of imported raw material, who has sought to capitalise expenses which are not capital in nature...in short it has manipulated every stakeholder! And our people are simply saying this: what we will not do as individuals, we cannot do as an organisation. What is wrong with that? You say 'how do we care how Velvet conducts its business? We will only pick up our fees and go home.' And I am saying they don't think like that.

But hear them Nandi! They are saying, money is not all that we work for...! As a leader you must listen when they talk and they may not always talk in words. Sometimes their silence will speak volumes!

Nandi: Victor, we know people have different religions. The God you pray to, the way you pray, the days you celebrate, your history...all that is different from the God I pray to, the days I celebrate, my history and so forth. Do we not tolerate each other?

Victor: What?! The God you pray to and the one I pray to — they don't teach different rules, Nandi. What sets religions apart is not the teachings but the rituals and manner of celebration, which has nothing whatever to do with the core of how we live and the rules we live by. Whereas the 'business religion' that Velvet's Raman follows is way off what has been prescribed and way off what we as Kohl follow.

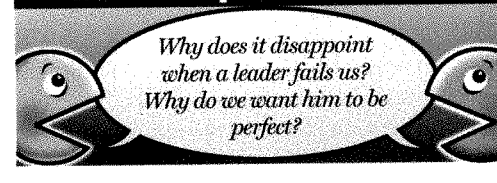
Nandi: So, okay! He has a greater profit drive and obsession. Can't we just ignore that?

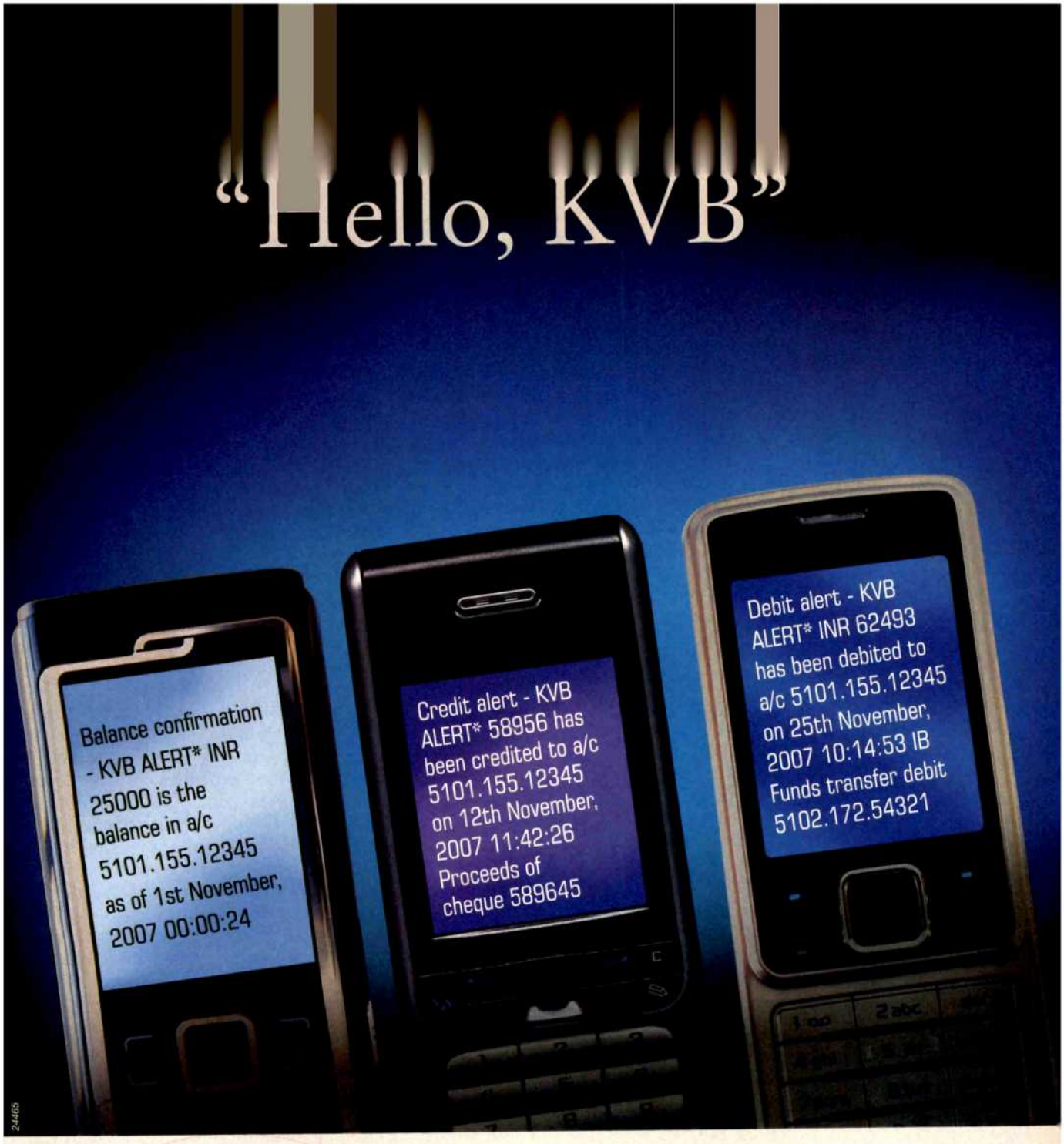
Victor: Can we? Isn't that profit obsession what leads to his not paying us after even seven months? Isn't that profit obsession what has planted cronies around him who sashay before his every word and treat us like dirt? Isn't that profit obsession what is making him see advertising as a cost and not as an investment so that he cuts my fees? How is he contributing to society, Nandi? Our relating with him will erode our existing socially responsible corporate culture!

This is what our people are getting restive about. These are the debates in their minds. Times are changing Nandi... It is disconcerting. So you tell me Rishabh, how does one deal with a change like this — where a whole team practically stands up and says — sorry we cannot work with a client whose intentions we don't feel good about? How do I deal with a MD who is also right in his position where he says 'it takes many types to make this world, as for me, I need money to run my organisation, so I am pitching for this and the money will help me and my agency?' How do I deal with Velvet who have been doing successfully many years, have served the cause of consumers, believe in their world view and it works for them? Understand my position — I am unable to make sense!"

casestudymeera@gmail.com

Classroom/syndicate discussion





Mobile Banking at its best.

Access your account wherever you are. Register today and unleash the power of technology.

Get a world of free benefits:

- Balance Amount Enquiry • Last 5 Transactions Enquiry
- Cheque Status Enquiry • Term Deposit Details Enquiry
- Stop Payment of Cheque • Balance Alerts • Transaction Alerts*

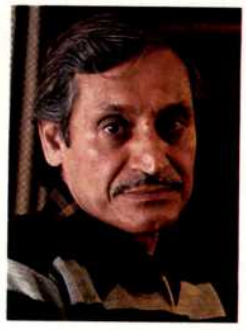
*Charges applicable

KVB **Karur Vysya Bank**

Smart way to bank

Regd. Office: Erode Road, Karur - 639 002. www.kvb.co.in

Lessons In Leadership



Leaders identify the values of the company and align their businesses accordingly

THE CASE RAISES SEVERAL ISSUES AND PARADOXES. A choice between embracing values or expediency; between taking people along or making unilateral decisions; between concern for survival and growth but also for the well being of one's employees; between listening to one's own voice or listening to the voice of one's people; between business adventurism or ethical leadership. In reality, leaders do not have the luxury of such a neat either or.

The reality is often gray. But the bedrock of that reality is ethical conduct. Loosing touch with this reality has severe consequences as the case brings out.

The fundamental issue confronting us is business ethics. Ethics are universal human values contained across religions and cultures. It is as much contained in the ancient Indian scriptures as it is in Christianity or the verses of the Koran. No parent teaches her child unethical conduct. But as Thomas Donaldson of Wharton School points out '.... countries sometimes have trouble adapting their traditional moral practices to the requirements of modern market capitalism. In successful capitalism, friendship must take a somewhat lower priority in the rational for business transactions than price and quality.... Leaders must carry moral authority. Without moral authority leadership is blind. Surveys of business people around the world show that they rank characteristics such as integrity at the top of the list of essential elements for leadership".

Every action and word of the leader is watched. Followers pay attention even to the most off-hand remarks. The scrutiny is never ending. Effective leaders are mindful of what they say and do. Leadership is also about being sensitive to the concerns and needs of the followers.

People don't mind working long hours provided they feel like they matter and are cared for. Nandikesh's abject surrender to Raman's arm-twisting, his lack of courage to stand up for his own people and total lack of concern for their personal lives is not leadership.

Much is talked about employee engagement in organisations. This has a few dimensions. First, people work for people. As Marcus Buckingham & Curt Coffman point out '..... people leave managers not companies....If you have a turnover problem look first to your managers'.

Secondly, people often remain engaged because of culture as evidenced from the often repeated 'it's a nice place to work'. Or as a colleague of mine leaving the organistion I worked for remarked "This place is like hotel California, you can check out anytime but never leave". Such is the power of cultures and leaders have a significant role in creating, maintaining and changing cultures.

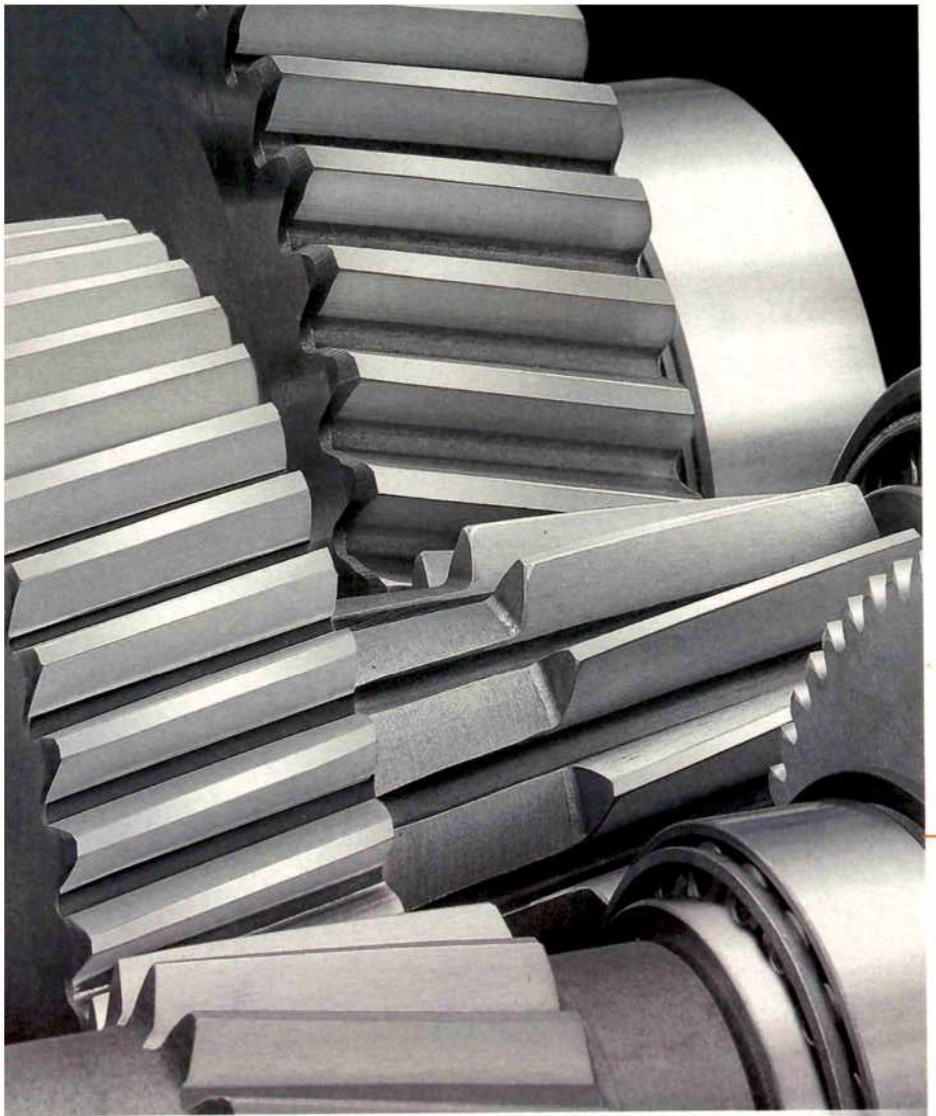
Thirdly, is the concept of leisure and work-life balance. People today are willing to chuck well-paid jobs to do work that gives them more time with their families. Finally, employees are increasingly emphasising the need of convergence between their and the organisation's values. Leaders need to consciously work on these areas. Nandikesh's behaviour shows no awareness of this .

Another issue encountered by leaders is 'escalation of commitment'. Having once decided on a course of action they commit more and more to it, as retraction is seen as a sign of weakness and losing face. People get hooked on to their ideas and products refusing to budge even in the face of mounting evidence that their ideas are not working. Sound leadership is about being open to suggestions from others and letting go, if the situation so demands rather than personalising things.

Finally, leadership is about listening to your people. As Warren Bennis points out "One of the greatest challenges a leader faces ...is not simply allowing people to speak the truth but actually being able to hear it". Not only has this leader stopped listening to his people but is blaming Victor for engineering the revolt of employees. It appears that for Nandikesh, Velcap is the messiah of deliverance. We know that messiahs seldom appear except in myths, fantasies and tribal folklore!

This case brings into sharp relief that people do not work for money alone. Values and culture, dignity and self-respect, meaningfulness of work, recognition and acknowledgement are equally if not more important. It focuses on the fact that business cannot be done at any cost without exorbitant costs being incurred in return. Organistions are not about changing people's values in order to do business. They are about making explicit their values, (which is another task of leaders) hiring for these values and aligning the business around values. I am with Victor Purushottam. He needs to hold on to his values, remain an employee advocate (which his HR colleague is also well advised to do) and be prepared to pay the price for his choice.

The writer is an Organisational & HR consultant.He operates out of Gurgaon.

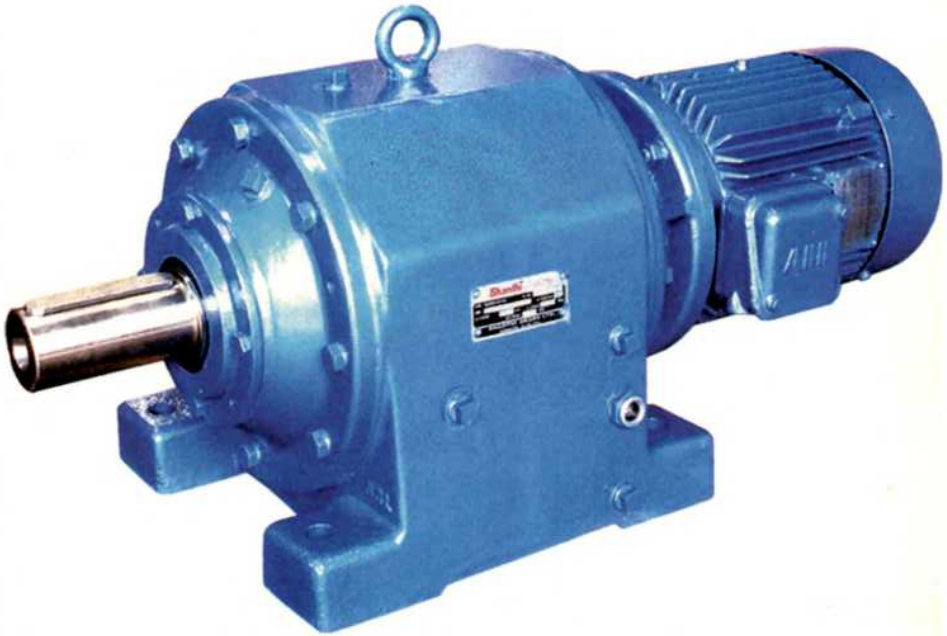


ISO 9001:2000 MGMT. SYS. RvA C 216

Shanthi Gears

Turning the Wheels of Industries, Worldwide

www.shanthigears.com



No Fear. Total Trust. Quality at its Best Manifestation.

Few grams to more than 20 tons - Gears, Gear Boxes, Geared Motors, Gear Couplings and Gear Assemblies - Standard & Custom Built - For Any Industry

SHANTHI GEARS LIMITED, 304-A, Shanthi Gears Road, Singanallur, Coimbatore - 641 005. Tamilnadu. India. Phone : 91 - 422 - 2273722 to 34
Telefax : 91 - 422 - 2273884 / 85 E-mail : info@shanthigears.com

sasiads.com

mala sinha

Ahimsa And Leadership

Ideally the *dharma* of one *bhava* should dominate the ethos of an organisation

The author is an associate professor at Faculty of Management Studies, Delhi. She has published and researched extensively on Vedanta philosophy

BUSINESS ORGANISATIONS COMPRISE OF MANY individuals engaged in productive and coordinated activities over a sustained period of time. Each individual plays a specific role, and systems, structures and policies help organisations regulate the dynamism associated with growth and survival. The owner-promoter-CEO-*karta* (leader) of the organisation enjoys maximum legitimate power and is responsible for identifying strategies and practices the organisation will follow to fulfil its purpose. Nandikesh Sayal is the *karta* of Kohl India.

The spirit (*bhava*) driving an organisation can be of three types. Fulfilling a great vision through the organisation is *Kshatriya* (kingly) *bhava*; an organisation as a field for expressing core competence is Brahmin (knowledge) *bhava* and material gain and cashing on opportunities is *Vaishya* (commerce) *bhava*.

Each *bhava* has its own *dharma* (constitutive nature), and ideally one should dominate the ethos of an organisation, while the other two play a supporting role and not an interfering role.

In its earlier phase Kohl displays Brahmin *bhava* because it is content doing quality work with good clients. The human capital at Kohl and Victor Purushottam, the operations director and co-founder of Kohl are happy, despite resource crunch. But Nandikesh is not satisfied and has a vision of big budget accounts. The Vedanta ideal of a true leader is one who pursues a vision by astute strategy and practice of ethical governance, supported by nourished and protected subordinates. Unfortunately Nandikesh acts like a petty king. He becomes a satellite to an unscrupulous larger kingdom, Velvet, perceiving it to be an opportunity (interference of *Vaishya bhava*) and is leeched and exploited in the bargain.

Nandikesh does not even display good *Vaishya* qualities because loyalty and friendship (*Kshatriya bhava*) with Ramandeep Jain (CEO of Velvet) is clouding good business sense. In the Indian epic Mahabharata, Dronacharya — a poor Brahmin precept goes to King Dhrupad (his childhood friend) and asks for a share in the king's wealth based on a past commitment ,only to be rebuffed and humiliated. The sharp intellect of the precept quickly understands the dynamics of the situation and he withdraws immediately; only to change strategy and defeat Dhrupad in due course. Nandi expects Ramandeep (his childhood friend) to extend largesse, but his intellect cannot comprehend that Ramandeep is cheating and using him.

The architects of Darmasutras — Apastambha, Gautama, Baudhyana and Vashishta say: it is the duty of all individuals to acquire knowledge and exhibit good conduct. But certain special duties distinguish classes .A Brahmin must level knowledge and teach; a *Kshtariya* must protect subjects, uphold *dharma* and mete just punishment (*danda*) to people who infringe the law, and a *Vaishya* must engage and nourish trade and commerce. Nandi as the owner of a commercial organisation is right in his need for growth and money, but his role as the CEO makes him a *Kshatriya*. He will need to seamlessly mesh *dharmas* of both — make money by upholding the law

According to Indian scriptures *ahimsa paramo dharmah* — non injury is the highest law. Non injury is not merely abstention from doing physical injury but abstention from doing injury to the constitutive nature (*dharma*)of anything by which it deteriorates in its good qualities.

Nandi's greed is causing *hinsa* (injury) to all the stakeholders of Kohl. First, the human capital of Kohl is being misused and overworked. Second, Nandi himself has deteriorated in the qualities of a leader — he is unable to care for his people, is abused by the client and instead of fighting back accepts injustice, which is akin to abetment of unethical practices. Third, by reinforcing unfair business practices Nandi causes deterioration in the moral character of the client (Velvet).

Dharma is *adhirajo rajnam* — the king of kings. Nandikesh as leader is the subject of dharma. He must work for upholding dharma at all levels. By practising *ahimsa* the good qualities (*dharma*) of stakeholders that have deteriorated can be restored. Leadership is not lonely — and in Vedic parlance the *purohit* (wise counsellor) complements and is the distinct other half of leadership. Without the purohit leadership often becomes overzealous, oppressive and thus ineffective. Nandikesh is lucky that Victor Purushottam — a man who values good reputation and is not driven by money is still in his cabinet. Nandikesh must put before his executive abilities Victor Purushottam's wisdom. It is only when Arjun (execution) is guided by Krishna (knowledge) that there is order (rta) and prosperity.

Bharathidasan Institute of Management
Trichy Alumni Association

presents

MONEY

30 pieces of silver : the new religion

Money has no longer remained a mere store of value. It has travelled a long journey from being a medium of exchange to a ubiquitous agent of prosperity to even the obsession of peoples and societies. In the process it has affected significantly human pursuits and purposes and therefore has engineered changes in societies and relationships within and without.

"Money" invites you to travel this journey of thousands of years.....

The Journey begins at
1030 hrs, 10th February (Sunday) 2008 at
India International Centre
40 Max Mueller Marg, New Delhi 110 003

The Guides :

Dr (Prof) Irfan Habib, Aligarh Muslim University

Economic Story of Money *(from POW camps till today)*
Dr (Professor) Rajat Kathuria, Registrar, IMI, New Delhi

Money and Values
Dr (Prof) Satish Jain, Economics, JNU, New Delhi

Money and the Arts *(emphasis on visual arts)*
Ms Tina Uneken, Director, Corporate Alliances, Bharti Airtel Ltd., Gurgaon

Music, Musicians and Money *(lecture cum demonstration)*
Mr Swarup Gupta, Assistant Director, EEPC, Mumbai

Human Values Partner Zetetica — He Who Seeks, Gets.

Associate Partner Businessworld — YOUR UNFAIR ADVANTAGE

Career Partner inx — HRM Consultant

Associate Partner Yi — Young Indians

Radio Partner RED FM 93.5

For invitations and other details call Abhishek Kumar: 9910558913

Greenspan's Legacy

by caroline baum

WITH GUNS BLAZING, THE FEDERAL RESERVE CUT its benchmark interest rate by 75 basis points to 3.5 per cent on 22 January following a two-day rout in Asian and European stockmarkets. US markets were closed on 21 January for a national holiday, but with Dow futures down more than 500 points in electronic trading, the Fed had a taste of things to come when the market reopened.

It's not about why the Fed cut the benchmark interest rate, but why it did so after the market forced it to

Now, far be it from me to imply a relationship between the global plunge in equity prices and the Fed's action. But what else impelled Fed policy makers to take emergency action one week before a regularly scheduled meeting? Yesterday's cut is the biggest since the Fed started targeting the overnight rate in the mid-1980s and the closest to a meeting, according to Tom Gallagher and Andy Laperriere of the ISI Group in Washington.

In a statement, the Fed said it took action "in view of a weakening of the economic outlook and increasing downside risks to growth". (Translation: We changed our forecast, and the odds of going down are going up.) The Fed's stable of economists must have noticed the increased odds of a slump as reflected in the 'US Recession '08' contract on Intrade.com, an online site where individuals can bet on financial markets and current events. The contract, which will pay $10 if the US goes into recession this year, traded at a lifetime high of $7.75 yesterday.

The Fed cited more reasons for its action, none of which will disabuse observers of the notion that the stockmarket forced its hand. "Broader financial market conditions have continued to deteriorate," the Fed said, even in the face of an improvement in short-term financing markets. A worldwide stockmarket rout would definitely qualify as "broad". Then there was the reference to "a deepening of the housing contraction as well as some softening in labour markets".

Why wait until now? The 0.3 percentage point increase in the unemployment rate to 5 per cent was reported on 4 January. People filing for unemployment benefits fell in the past three weeks from 357,000 to 301,000. There was nothing negative on the employment front to tip the Fed's hand.

What about housing? Residential investment has declined for two years, with no real end in sight. Last week's news that housing starts fell 14.2 per cent in December from the previous month to a 17-year low was horrendous on the surface, but it's a step in the right direction of slashing the inventory overhang.

"Appreciable downside risks remain," the Fed said, concluding its statement with a promise to "act in a timely manner as needed to address those risks". What the Fed lacked in timing, it tried to make up for in size. Both economists and traders expect another 50 basis points at next week's meeting.

In the communications department, it was plain "disingenuous" for the Fed not to mention "falling financial markets", the ISI economists said in a note to clients. Perhaps the Fed wanted to avoid the invective of consumer advocacy groups. More US households own homes (68.2 per cent in the third quarter of 2007) than equities (50 per cent of households, according to the Investment Company Institute), either outright, through mutual funds or in 401(k) accounts. Yet the Fed didn't feel compelled to bail out the housing market last year, when lower interest rates could have assuaged expectations of subprime mortgage defaults, which ricocheted through the market for collateralised debt obligations, delivering $133 billion in credit losses and write-downs.

The argument against creating a moral hazard seems to have gone out the window in light of the two-day rout in Asian stockmarkets. Hong Kong's Hang Seng Index plunged 13.7 per cent, Japan's Nikkei fell 9.3 per cent, India's Sensex was off 12 per cent, and China's stockmarket posted its biggest two-day decline (12.2 per cent) on record.

In the US, Standard & Poor's 500 Index is off to its worst start ever in a new year. With the dive in overseas bourses this week, it looks like "decoupling" — the idea that the rest of the world could separate itself from economic events in the US — has gone the way of 'containment', the notion that the subprime mess was a niche issue.

Congress, which has oversight of the Fed, is apt to question Bernanke not so much about what he did but when he did it. "It's too bad the Fed didn't do this until the market twisted its arm," said Jim Glassman, senior US economist at JPMorgan Chase & Co. It turns out the Greenspan put didn't follow the former Fed chief to the private sector. It may yet prove to be his most lasting legacy.

The author is a Bloomberg columnist.

(C) 2008 Bloomberg News

LUXURY

Get Sporty

Luxury sports watches signal both status and an active lifestyle

OFTEN THE ONLY ACCESSORY WORN BY MEN, watches tell more than just the time.

Whether it is a jewel encrusted Tiffany, Cartier, or Harry Winston timepiece, or a sports model by Tag Heuer, Omega, or Breitling, the watch accords its wearer a certain status. And nothing says wealthy, discerning and adventurous better than a luxury sports watch. Luxury sports watches blend luxury materials and detailing with technological innovation, precision and sports-inspired looks and are especially designed to keep track of personal performances.

Today, you have watches engineered to meet the demands of almost every sport and outdoor activity, be it golf, polo, diving, mountain climbing, cycling, or car racing.

The Reverso Squadra Chronograph GMT Black, from the Reverso Squadra range of

ROSSI SPECIAL: The Jaeger-LeCoultre Master Compressor-Extreme W-Alarm '46' is a tribute to the MotoGP champion Valentino Rossi

DIFFERENT STROKES FOR DIFFERENT FOLKS: Sports watches are available at various price points. While a Harry Winston (right) can easily cost several lakhs, a Tissot (below) can be had at less than a lakh.

Jaeger-LeCoultre, celebrates a return of the reversible watch to its sporting origins, to the game of polo. The legend goes something like this: in the 1930s, Jaeger-LeCoultre learnt that polo players' watches often fell victim to the fierceness of the game, as they were too fragile to withstand any knocks. He took the problem to the watchmakers in Le Sentier as a sort of challenge. The technicians solved the apparently impossible solution by creating a stainless steel case that slide into its case completely and could be turned upside down. Since then 'sports' watches have come a long way and have migrated to the luxury lifestyle segment. Jewelrs, Harry Winston, too have designed a range of luxury sports watches, including a superbly crafted diver's watch, made from Zalium - the hard, lightweight, zirconium alloy. Luxury watch makers, Patek Philippe and Audermars Piguet too offer sports watches with altimeters and compasses.

Now, watchmakers are increasingly working in collaboration with leading sports personalities to ensure that they keep up with the constantly changing needs and demands of the highly competitive world of international sports. For example, the folks at Tag Heuer have worked with champion golfer, Tiger Woods, to create a golfing watch.

Motor racing is the sexiest sport for any watchmaker to associate with. It gives them the opportunity to combine cutting-edge sports engineering with exceptional horology. Recently Tag Heuer created a watch to commemorate the introduction Mercedes-Benz SLR McLaren super sports car.

Last year Jaeger-LeCoultre, inspired by the Aston Martin DBS, launched the AMVOX2 Chronograph DBS. The watch incorporates the patented vertical-trigger chronograph, a mechanism that makes it possible to start, stop and reset the chronograph simply by pressing on the sapphire crystal of the watch case. They have also created the Master Compressor Extreme W-Alarm '46' as a tribute to seven time motorcycle grand prix (MotoGP) racing champion Valentino Rossi.

However, here is the downside of it: Even if you are willing to pay the top price for these watches, which cost anything upwards of a couple of lakhs, you may have to queue up to get your hands on one, as they all come in limited editions of 300 to a 1000.

Those looking to buy something in the mid range are equally spoilt for choice. Tissot the official timekeeper of MotoGP and the world championships of cycling, fencing and ice hockey. It offers one of the widest ranges in sports watches, which include models such as MotoGP, T-Race and the best selling PRS200.

Timex has recently launched its new Racing Chronograph Collection and the Timex Expedition E-Tide-Temp-Compass watch in the Indian market, expanding the already significant sized segment.

If you fancy outdoor action, getting an appropriate sports watch may be a good way to start.

Sumati Nagrath

HOME COUTURE

Lying in the folds of luxury

THERE IS NOTHING better than slipping into bed after a particularly trying day. Except perhaps, slipping into a bed which has been turned down with some of the finest linen available. While India still has a long way to go before it truly embraces the luxury bed linen, some early players are beginning to make their presence felt.

With thread counts ranging between 650 and 1020, the bed sheets, pillow cases, duvet covers and bed spreads produced by outfits such as Maishaa, Peacock Alley and Sahelia are not only soft to the touch but are also very durable.

With increasing consumer discernment, the linen-makers are also concentrating on improving the aesthetic component. Recently Bombay Dyeing, the pioneer in branded linen in India, tied up with designer Sabyasachi Mukherjee to create a signature up market range.

Maishaa has become the first Indian brand to become the official bed and bath linen collection for the New York Fashion Week, signifying the arrival of Indian bed linen brand on the global stage. The next step for Maishaa is to bring collections of international designers to Indian consumers.

Sumati Nagrath

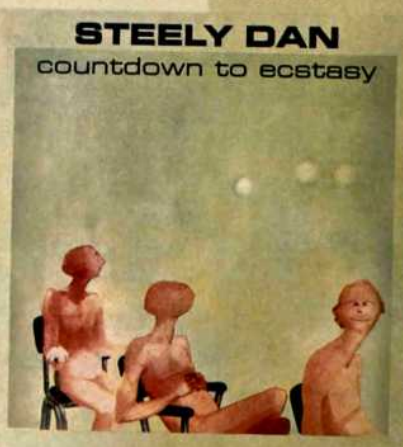
SWEET DREAMS: Indian bed linen is set to debut at the New York Fashion Week

Sun Temple of Ramses II: Egypt emerged as a hot destination for well-heeled Indian tourists this winter. Indians are beginning to choose the exotic over the luxe.

BLOOMBERG

Entertainment

COUNTDOWN TO ECSTASY



SUBHABRATA DAS

ANOTHER RE-MASTERED, reissued classic from the early 1970s, this Steely Dan album is a mixture of funky-pop textures with a light jazz intonation.

The album has a live performance kind of sound because it was put together in a rush during the course of their promotional tour for their first album Can't Buy a Thrill.

The music, from the band cheekily named after a sex toy in William Burroughs' novel 'Naked Lunch, has a strong influence of jazz.

Its founding duo, Donald Fagen (Piano and vocals) and Walter Becker (bass) grew up listening to jazz greats such as Charlie Parker and Duke Ellington.

Their lyrics reflect the youth angst of the early 1970s - the disaffection with politics and the quest for spiritual escape from the chaotic, unjust world around them. However, young as they were, their angst is tinged with romanticism.

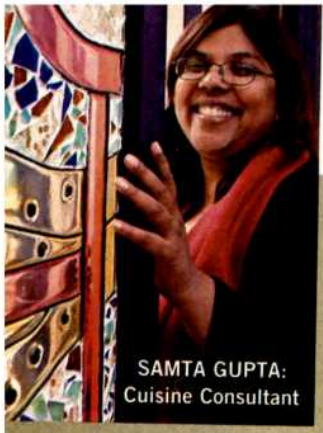
The outstanding tracks on the disk include Boston Rags and Bodhisattva.

In fact, Bodhisattva is the theme-defining track of the album. It captures the mood of the period and is a witty piece on the confusion that troubled the young Americans in the early 1970s.

Catchy riffs by the band's guitarist, Jeff Baxter, who later went on to play for the Doobie Brothers, are also a highlight of the album.

This CD version is an import and is certainly worth a listen.

Vishal Krishna



SAMTA GUPTA:
Cuisine Consultant

BON VIVANT

A Quest For Flavours

INDIA IS A COUNTRY RICH IN CUISINE. EVERY TIME I travel around the country, I come across a new ingredient, a new flavour, or a new texture that teases my palate and enhances my existing repertoire.

I often discover these unusual flavours in small communities and villages. One such recent encounter was with the Gaunda community of Kangeyan, near Coimbatore.

Gaunda cuisine is rather eclectic, and the family I visited was very enthusiastic about sharing their insights into food and recipes with me. The food is essentially a fusion of Kannada and Chettinad cooking styles, yet it defies the stereotype of the 'South Indian' food. It is extremely spicy and uses a wide array of chilies and peppers, which add delectable twists to the simplest of dishes.

Gaunda women use everyday ingredients such as curry leaf, garlic, sesame, ginger, beetroot, and coconut are used in innumerable permutations and combinations to create chutneys, curries and podis. Podis are almost magical powders, a pinch of which can transform any dish.

One dish that stood out for me was made with eggplant. Its delicious curry was prepared by dunking fried eggplant in a coconut and tamarind gravy laced with black pepper. For me, the nartahngai pickle made from really bitter lemons was another discovery.

I try to incorporate such unique flavours and ingredients into the menus of the restaurants and hotels I advise, albeit with care.

The trick is to nudge the guests gently towards new flavours. Too exotic, too soon is the recipe for losing a potential convert to a new taste.

PHOTOGRAPHS: TRIBHUWAN SHARMA

EYEWEAR

Shades of luxe

STRANGELY, IN A perennially sunny country like India, sunglasses have not thrown up a major local brand, either mass or luxury. Even the fashionistas are hardly known by the shades they wear.

However, the new, exposed Indians are keen to cover their eyes with objects of beauty, as they begin to value looking good.

It helps that global luxe brands see affordable sunglasses as a Trojan horse to get inside the new luxe consumers' wallets. "Typically, sunglasses fit a lower entry price point for fashion brands," says Radha Chadha, a branding consultant.

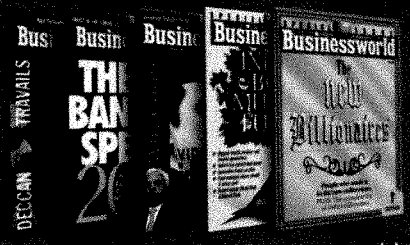
Calvin Klein and Tommy Hilfiger sunglasses are now available in India, with their entry-level goggles priced at about Rs 4,000. Those with a passion for shades can get a leather-rimmed Moss Lipow for about Rs 1.5 lakh.

For long, counterfeiters have had the run of the Indian sunglasses market, as few top eyewear fashion brands were available in India. But, they better look for something else to trade, as their customers are becoming more discerning.

EYE COUTURE: Shades are becoming a vital fashion accessory

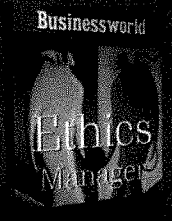
DREAMSTIME

YOU CAN CALL IT THE MOST ETHICAL SUBSCRIPTION OFFER.



2 yrs. subscription of Businessworld.

+



+ **40% Discount**

Ethics & The Manager (Rs.199)

= Rs. 625

New Subscription Offer

Hurry few days left

	Actual Price	You Pay	Discount	Free Gift
One year	Rs. 520	Rs. 350	33%	-
Two Year	Rs. 1040	Rs. 625	40%	Ethics and the Manager

BEST OFFER

Businessworld
YOUR UNFAIR ADVANTAGE

Yes, I would like to take the subscription offer: ☐ Rs. 350 ☐ Rs. 625

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ Card member's name _____

Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid till January 31, 2008. Terms & conditions apply.

BATES DAVID ENTERPRISE 1446

REUTERS

CULTURE

Cell Shock

People need to learn to switch off cell phones on occasions to avoid being rude to others

GO TO A MOVIE, THEATRE PERFORMANCE OR A musical concert these days, and you will see the ubiquitous - and annoying - use of cell phones, personal digital assistants and Blackberries.

At a recent performance of The Vagina Monologues at Prithvi Theatre in Mumbai recently, the phenomenon was again evident: despite four announcements asking for communications devices to be shut off, few paid attention.

Culture consumers want to be at the show and with the world outside at the same time.

Are we sacrificing civility and etiquette to an unquenchable desire for constant and immediate information? Does etiquette have a place in the conduct of business and business people?

"Etiquette," according to Emily Post, "is a code of behavior based on consideration and thoughtfulness." It comes in many forms: who opens the door for whom (the person, man or woman, who gets there first, or the man if it's a tie) to loud voices in a cubicle office setting (remember, if the cube had a door, sometimes it would be shut).

There is a high price to pay for poor manners. Think about it: lighting a cigarette in a client meeting, blowing your nose at a business lunch, telling the punch line of someone else's joke: all no-nos. When it comes to professional situations, a bad first impression can kill you quicker than a runaway bus.

To the list of boorish behavior, add the following: turning on cell phones when your plane lands before the announcement that says you can do so, or getting up and opening the overhead lockers before the plane has even docked.

Here are a few etiquette points to ponder. Cell phones have a power button for a reason: users should turn them off if it intrudes upon others. Before calling someone else on their cell phone, stop to think if they really need to hear from you just then.

Most professional offices have guidelines for the use of office assets and utilities, such as email, fax, etc. Good etiquette will require that those guidelines be followed. All too often, however, we are all blissfully unaware of the need to learn about proper modes of behaviour; or maybe we just don't care. We should.

Srikanth Srinivas

RING RAGE: Often concerts are spoilt by ringing cell phones

kolkata's fastest growing
friends' circle...

91.9fm friends
bondhu...tomaar jonyo

Kolkata's fastest growing FM station as per ILT Wave 4

BATES DAVID ENTERPRISE 2524

International Media Partner:
CNN

Radio Partner:
RED FM 93.5
Bajaate Raho!

Associate Sponsors:
PRESIDENTE
The first name in enclosure systems
Avocent
DELL
SAP

CAMELLIA GROUP
AXSYS TECHNOLOGIES
Sun microsystems
SIEMENS
Siemens Information Systems Ltd.

ABP

INFOCOM 07 08
Conference & Exhibition
Businessworld initiative
Hyderabad ▪ Calcutta
In exclusive partnership with CeBIT Join the vision

.ET THOUSANDS OF VISITORS GET A REAL TIME EXPERIENCE OF YOUR PRODUCTS AND SERVICES. DISPLAY THEM @ THE NFOCOM 07-08 EXHIBITION BETWEEN EBRUARY 21-24, 2008.

FOCOM 07-08, India's largest Information and Communication Technology CT) Expo is back again in Calcutta. Participate in the Exhibition at the Salt Lake Stadium grounds nd make the most of this opportunity by showcasing your ideas, products and business solutions. you have anything to do with IT you just can't afford to miss INFOCOM 07-08.

In association with:
ADVANTAGE BENGAL
DESTINATION KOLKATA

hibition Highlights:

ver 150,000 sq. ft. of exhibition space
ver 200 exhibitors in fully air-conditioned ambience
all sizes: 2m X 3m, 3m X 3m, 6m X 5m, 6 m X 6m and multiples
ver 100,000 expected footfalls

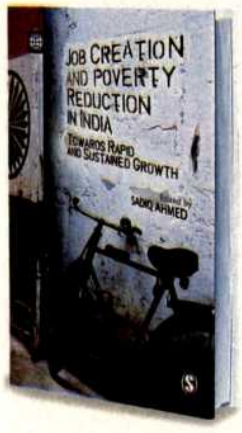
To book your stall space, wire up with:

Calcutta - Rudrashish Nag (9831310118) • Bangalore - Raja Mitra (9886019111) • Chennai - Rajiv Reddy (9841033442)
Delhi - Anita Mazumdar (9810331309) • Hyderabad - Chandrashekhar Avvaru (9963137307)
Mumbai - Bhaswati Ghosh (9819022145)

Email: info@indiainfocom.com • Website: www.indiainfocom.com

FUTURESOFT™ HDIL Creating Value Microstructures | Megastructures | Infrastructure Housing Development and Infrastructure Ltd. Cognizant TECHNO INDIA GROUP

INFOGEN global WDC UGFA Quality that's unbeatable KERALA STATE IT MISSION Seagram's BLENDERS PRIDE MAGICAL NIGHTS



Pursuing Growth And Employment

by sumati nagrath

JOB CREATION AND POVERTY REDUCTION IN INDIA TOWARDS RAPID AND SUSTAINED GROWTH EDITED BY SADIQ AHMED
SAGE, PAGES: 350; PRICE: RS 695

A COLLECTION OF ARTICLES WRITTEN BY THE TEAM from the Poverty Reduction and Economic Management, South Asia Region of the World Bank, *Job Creation and Poverty Reduction in India* is insightful, analytical and above all timely. With the Indian economy set to hit and sustain a growth rate of over 8 per cent, various groups among policymakers, corporates, social activists and common citizens are now increasingly preoccupied with the question: How can this growth be made more equitable? The answer, argue the authors, is a rather obvious one — it is to use the growth to generate more and the right kind of employment across all sectors of the economy.

"A key concern is the perception of two Indias, one shining and the other bleak, referring to the large gap in the standard of living between the rich and the poor," says Sadiq Ahmed, the editor, in the preface to the collection. Tackling the issue of disparate growth head on, this book takes an in-depth look at the issues of growth and employment in India. It also identifies ways in which the prevailing investment climate can be further improved to raise productivity and reduce the cost of doing business, thereby promoting domestic and foreign private investment.

The book is divided into four sections in an attempt to highlight the different aspects of the issue. The first section looks at India's long-term growth experience, the emerging constraints and challenges and the lessons it holds for policy makers to sustain the current growth rate by improving employment.

The second section examines the macroeconomic framework for sustained growth. In her article Marina Wes looks at fiscal policy at the level of the states. The other piece in the section is a collective contribution of Brian Pinto, Farah Zahir and Gaabo Pang who look at the constraints on the fiscal policy at the federal level.

While the first two sections set the necessary context, it is the third section that forms the bulk of the book and examines the sectoral policies for growth. It includes Deepak Mishra's discussion on Indian State's changing attitude towards the country's private sector and suggests that the deregulation must continue. The theme of reforms and changing State attitudes carries on in the next two pieces. While Priya Basu talks of the country's financial sector, Clive Harris looks closely at the role of reforms and investment in the infrastructure sector.

The last article in this section is by Dina Umali-Deininger where one of the key arguments of the collection, that agriculture is important, is made. Placing her argument in an historical context, she says that higher farm productivity incomes along with more and better non-farm jobs will reduce poverty at a faster pace than in the recent past.

According to Umali-Deininger, there is a pressing need to develop a new strategy for the agricultural sector as the current one, which is geared towards achieving food grain self-sufficiency through price supports and subsidies, is no longer sustainable. This change in policy is urgent.

In the last section, Ahmad Ahsan and Ashish Narain pull together the arguments made in the preceding chapters to comprehensively draw the link between growth and employment. Taking the obvious — that labour is the principal asset for the millions of poor and marginalised Indians, the two authors argue that even though the growth in the 1990s yielded jobs, they were often of poor

SADIQ AHMED, is the Sector Director of the Poverty Reduction and Economic Management, South Asia Region, World Bank and oversees economic policy dialogue and adjustment lending operations for the Region. Ahmed joined the Bank in 1981 and has, in the past 27 years, worked as an economist in several countries which include Egypt, Indonesia, Papua New Guinea, Pakistan and Sri Lanka, among others. Ahmed was educated at the London School of Economics and Boston University. He has published extensively in the areas of public finance, monetary economics, development economics and poverty analysis.

BROWSING
Dharti Desai
CEO & Founder
Finewinesnmore

I am reading SHIVA NAIPAUL'S Chip-Chip Gatherers, which is about how the Hindus live in modern Trinidad and have become fragmented into quarrelling, self interested, rootless individuals. I have read his brother, V. S. Naipaul's books and enjoyed them. A friend recommended the lesser known brother and I think his writing style is absolutely brilliant. Reading has always been my favorite way to unwind and although I read just about anything, Shiva Naipaul's Fireflies is nex on my list.

quality that did not guarantee a minimum wage. With emphasis on access to education at an all time high, the authors caution that a lack of commensurate increase in suitable employment opportunities could lead to social unrest among the youth — a point that has also been highlighted by those skeptical of the potential 'demographic dividends' of India. It further examines labour market policies to explain the low overall employment of elasticity of growth in India and argues for a greater flexibility of the labour market to generate employment in the manufacturing sector.

Full of data and analysis and well thought out arguments that are put forth articulately and comprehensively make this collection an interesting read not just for economists and social scientists but also for the average person wanting to understand some of these issues.

SELECTION 1

The Silent Negotiators

ANATOMY OF AN ABDUCTION HOW INDIAN HOSTAGES IN IRAQ WERE FREED BY V SUDARSHAN
PENGUIN
PAGES: 219; PRICE: RS 295

SPY NOVELS ARE ALWAYS FUN. FIRST THERE'S A crisis. Usually a president or someone equally important is kidnapped. Then there are the bad guys — invariably terrorists. Finally, you have the good guys, who charge in and save the day just as things get particularly dangerous.

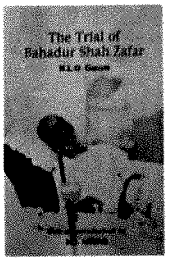
V. Sudarshan didn't need any of these literary clichés for his book. The ANATOMY OF AN ABDUCTION is the true story of three Indians and four other nationals who were kidnapped in 2004 in Iraq. The abductees were truck drivers for a Kuwaiti company, who were transporting supplies for coalition forces in Iraq. Their kidnappers wanted to make a statement that anyone collaborating with the US was a legitimate target. Beheading the captives would be their method of making that statement.

The only drawback about Sudarshan's book is that it reads like an extended newspaper report. That is probably because Sudarshan is a professional journalist. But don't let that deter you. The author has painstakingly pulled together facts surrounding the kidnappings and the subsequent negotiations. The extent of his legwork is clear from the detailed narration that takes you through every twist and turn in the nearly month-long negotiation process.

The real heroes are undoubtedly the three men sent in by the Indian government to bring the captives home. They can't negotiate directly with the kidnappers, can't offer a ransom and if anything goes wrong the government will deny all involvement. Despite these odds they succeed. The real story behind the book is one that is never overtly mentioned — that the people in charge of our country's diplomatic operations are thorough professionals who win even when the chips are down.

—Pierre Mario Fitter

SELECTION 2



Trying An Emperor

WAS IT A SEPOY MUTINY OR India's first war of independence? The revolt of 1857 has become a contested site for colonial historiography, ideal to situate notions of national imagination and colonial subjecthood. While the revolt is indeed an interesting account of the emergence of political consciousness in India, it is also a thriller wrought out of many ironies that attended to the birth of a nation.

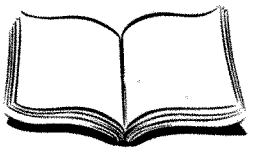
The new edition of the records in THE TRIAL OF BAHADUR SHAH ZAFAR brought out by H.L.O Garrett, the keeper of the records of the Government of Punjab in 1932, goes beyond a maze-like artifice of argument and evidence to become a lyrical narrative that moves on the hinges of paradox and pathos; how else would you account for the emperor of India being tried in his own land for treason by foreigners? Or the Moghul, who would later become an icon of composite national culture, pleading in his statement that he never intended to overthrow the British regime but was a mere puppet in the hands of the mutineers?

Constructed out of testimonies, circumstantial evidence, newspaper reports and the editor's comments, the story has a crowd of animate characters; a pampered queen, a spoilt prince, an intimate eunuch, a personal physician caught in the cross-fire, a swashbuckling subedar, a news writer, scared *firangs* and a poet king surviving on pocket money from the British.

Those who pan for sundry details will find another protagonist lurking in this account; Delhi, the city, heaving its lawless, medieval weight into a modernising India.

—Dharminder Kumar

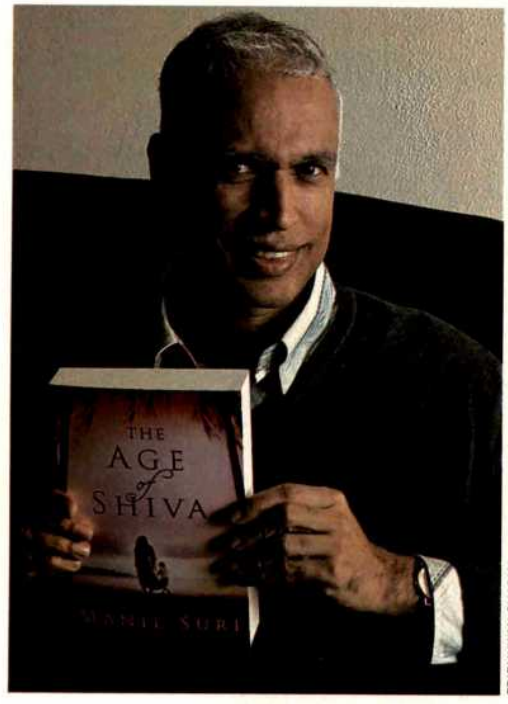
ALERT



WHITE HOUSE GHOSTS: PRESIDENTS AND THEIR SPEECHWRITERS
BY ROBERT SCHLESINGER
SIMON & SCHUSTER
PAGES: 368, PRICE: $30.00
Hundreds of thousands speeches are made every year in all parts of the world by people of different political persuasions occupying various rungs of power. In this cacophony, the voice and words of the incumbent US president normally stand out. In White House Ghosts, Robert Schlesinger reveals the intimate and at time fractious relationship that a president shares with his speechwriter. The presidents might have said them, but phrases like "ask not what your country can do for you" and "axis of evil" have most definitely been scripted by the lurking ghosts of the White House.

'Gods Are Ideal'

– Manil Suri
Professor; Novelist



TRIBHUWAN SHARMA

Fast Facts

Born
July 1959, Mumbai

Studied At
University of Bombay and Carnegie Mellon University

Works As
Professor of Mathematics, University of Maryland

First Novel
The Death Of Vishnu

PROFESSOR OF MATHEMATICS AT UNIVERSITY OF Maryland, USA and award winning author of *The Death of Vishnu*, Manil Suri was in the country to participate in the Jaipur Literary Festival and launch his second book *The Age of Shiva*.

Q: The Age of Shiva is the second novel of your trilogy based on the trinity of Vishnu, Shiva and Brahma. What explains the interest in mythology?

A: As a writer what interests me is the measuring of the distance between imperfect human beings and perfect divine entities. (Laughing)...that's the mathematician in me. For me it is similar to the theory of relativity, where the speed of light is the fastest thing in the universe and nothing else imaginable can transcend that. I take mythology and treat it like the speed of light. The mythological beings, our Gods, are the ideal who behave in perfect ways and we, who are imperfect beings, can never measure up, and this distance between the perfect and the imperfect which is fascinating.

Q: This book has been written from the point of view of Meera. How was it writing in the voice of a female protagonist ?

A: The decision to do that was a deliberate one. I thought it would be challenging to write in the voice of a woman and describe her relationship with her son which almost borders on the erotic. I must admit that it was slow and scary entering her (Meera's) world and interacting with people from her perspective.

Q: What made you decide to tackle a mother and son relationship?

A: Well, actually, this was really supposed to be the story about the son Ashvin, who was meant to be unattainable, like Shiva — an ascetic and out people's reach. I thought I would start by writing a little bit about the mother and before I knew I had written over 200 pages and the son was yet to be born. So it became a story about the mother, about Meera and her relationship with her son.

Q: Less popular than either Vishnu or Shiva, Brahma is the most obscure figure of the trinity. How do you plan to weave him into a narrative?

A: Initially, I thought I thought about changing Brahma to Devi or to Kali but in the end, decided to stay with the original thought. Vishnu as a character was really integrated into the first novel's narrative. In this, all my characters have a bit of Shiva. Brahma I feel will be a lot more abstract and symbolic than either of the two. Brahma for me represents creation and for me it is that thought that will play a major role in the narrative.

Q: How do you respond to the criticisms against Indian writers writing in English and from outside India?

A: My answer to them is that I can only write in English and I can only write from the outside. I came to Bombay and tried to write from there, but it is too frenetic. I am like a battery. I come to Bombay and store up information and emotions and then I really need the distance to write. This novel will be much harder to assimilate for the non-Indian reader, because the story of Meera is so rooted in Indian cultural traditions. This book is written for the Indian audience.

Leveraging Innovation & Technology. For Security & Progress

Andhra Bank, one of the leading nationalised banks, has taken upon itself the pioneering task of leveraging technology for overall growth. By investing in the right technology that reaches every hinterland of the country and the tech-savvy citizens of urban India. By developing the right products that suits the diverse needs of this diverse country.

Some of our service initiatives:

- Net Banking - Mobile Banking - Credit Card - Kisan Vikas Card

ఆంధ్రాబ్యాంక్ आन्ध्रा बैंक **ANDHRA BANK**

(A Government of India undertaking)

Much more to do, with YOU in focus

ASST. PROFESSORS • LECTURERS

In all areas of Management including
Wealth Management • Retail Marketing • International Business • Insurance management • Information Technology

SCMS-COCHIN is accredited for five years as one of the best business schools of India by the **NBA-AICTE**. It is also one of the largest b.schools in the autonomous sector in India. We plan to strengthen our intellectual capital by adding a few more competent academicians.

Qualification : Doctorate and 5 years experience for Asst. Professors. **Doctorate** or B.Tech. with PG Diploma/MBA from a premier institute with minimum 3 years experience for Lecturers.

Upper age limit : 35 years for Asst. Professors and 30 years for Lecturers.

Salary Range : Asst Professors upto Rs. 4.20 lakhs p.a. and for Lecturers upto Rs. 3 lakhs p.a., all based on qualifications, experience and standing as an academician or as a professional.

E.mail/Fax/Surface mail your CV with a recent photograph within 10 days to our **Group Chairman at** :

SCMS-COCHIN

(SCHOOL OF COMMUNICATION AND MANAGEMENT STUDIES)
SCMS CAMPUS, PRATHAP NAGAR, MUTTOM, ALWAYE, COCHIN-683 106.
Ph : 0484-2623885/87, 2623803/4 Fax : 0484-2623855
E-mail : scms@vsnl.com Website : scmsgroup.org

HI-DEVICES

Global Procurement Consultants Limited (GPCL), a joint venture promoted by Export-Import Bank of India in partnership with leading public and private sector companies having current consultancy income of over Rs. 3 crores, provides exclusive procurement related consultancy services to multilaterally funded projects worldwide.

With presence in over 20 countries, including ongoing assignments in Iran and Indonesia, GPCL is looking out for a competent individual to take charge as the **CHIEF EXECUTIVE OFFICER** from the incumbent in a short span of time.

The candidate should:

- *Preferably be an Engineer, with a post graduate degree, having 20-25 years experience.*
- *Have experience in Procurement Management with exposure to multilaterally funded projects in a consultancy firm or an implementing agency.*
- *Have excellent leadership qualities and communication skills.*

The CEO shall head the company's operations as well as spearhead various assignments in India and abroad. Remuneration shall be commensurate with experience and qualifications and will not be a constraint for the right candidate. However, no housing facility will be provided.

Interested aspirants may courier/ fax/ email their CV to the contact details provided below.

Global Procurement Consultants Ltd
8th Floor, Maker Chambers 4, Nariman Point, Mumbai 400 021.
Fax : 2285 2532 **Email :** resume@gpcl-e.com **Website** : www.gpcl-e.com

A lot has already been done,

But a lot still needs to be done....

FEVICOL

DR. FIXIT
WATERPROOFING SOLUTIONS

Fevi kwik

M-seal

hobby ideas

PRESIDENT - BRAND MARKETING

PIDILITE is a US$ 500m Indian multinational operating on 4 continents and having a CAGR of over 15% pa over the past 10 years. To strengthen our existing brands and to build new brands we are looking for a **President - Brand Marketing.** The job involves providing direction to all brand management activities, including developing new & exciting advertisements and taking our brands to international markets.

Please apply ONLY if you have a proven track record of creating successful brands and enhancing existing ones. Quite obviously, we will prefer candidates who have had a stable background.

This position will report to the Managing Director and will be Mumbai based. Needless to say, the compensation package for our top performers is better than the best.

We would love to hear from you and meet you.
To begin with, please e-mail your resume to our
Executive Director, to apurva.parekh@pidilite.com

Pidilite

Time For Debt Reform

THE BUDGET IS FIVE WEEKS AWAY; THE FINANCE minister must be wondering what to make news for this time. He is well known for imposing unnecessary new taxes and making taxpayers' lives miserable. But the general elections are not far; their imminence may curb his eagerness to displease. He could well do nothing. Tax revenue has been buoyant; he could give everyone a pleasant surprise and present an eventless budget. But the fiscal improvement this year also gives him a chance to do something in an area which governments routinely neglect, namely management of the public debt.

BLOOMBERG

If the government ceased to borrow, it would release savings that could add a couple of per cent to the GDP growth - raise it from 9% to 11%

Ten months ago Mr Chidambaram released the report of the Percy Mistry Committee which, as official reports go, was a breath of fresh air. It gave an answer to a question he had posed in 1998, when he first became finance minister, and which he raised again on entering his second term in 2004: how can the Rupee be made fully convertible? After displaying the first copy and the conventional handshakes, however, he has buried the report. That is not surprising. Although the Mistry Committee made going convertible look as easy as flying, it is natural that the fear of falling occupies the official mind.

Still, of the preconditions laid down by the Committee, a major one may be within the finance minister's reach now if he acts with resolution in this budget. It is absolving the Reserve Bank of the responsibility for debtmanagement, and assigning it to a Debt Management Office within the ministry of finance.

It may seem a pretty trivial thing to do, transferring a function from one branch of the government to another. But the Reserve Bank cannot move towards giving citizens greater freedom in foreign exchange transactions while it continues to manage the public debt. For as debt manager, it has to find buyers for the spate of debt that the Centre and the States issue every year. The only way it can find a home for the debt is by forcing banks to buy it. Government-owned banks, which still control three-quarters of the banking business, do not mind government securities being unloaded on them; it saves them having to find borrowers for their funds. But they complain about the interest the government pays them. So to keep them happy, the Reserve Bank has to keep interest on government securities high. And since sovereign debt sets the floor on all domestic interest rates, all rates have to be kept high.

That is what keeps interest rates in India so much higher than rates abroad. And the difference makes Indian borrowers want to run and borrow abroad, and foreign lenders to come and lend in India. In the bad old days, the Reserve Bank used to scare them with the threat of Rupee depreciation. But with its bulging reserves, if it tried the same threat now, people would only laugh. That is why it has had to put so many constraints on debt inflows. The Reserve Bank is today seen as a kill-joy, an enemy of external account liberalization. But it takes no pleasure in clamping down controls; it has to use them because it cannot lower domestic interest rates.

The government should, therefore, find a market for its debt itself, and free the Reserve Bank of the responsibility. Only then can the Reserve Bank use interest rates as an instrument of monetary policy; only then can it stop forcing debt on banks.

Because interest rates are higher in India than abroad, the government would find it easy to sell its securities — providing it does not mind borrowing abroad. Foreign lenders will happily lend to it – providing they see no danger of India running into a balance of payments problem. With the generous exchange reserves, it will be some years before even the most incontinent government can manage to create a crisis. So the government has some time to get its act together.

The Centre will end this year with a fiscal deficit close to 3 per cent. It should aim to reduce it to zero in a couple of years, so that it can cease to be a net borrower. It may borrow thereafter for projects that would either earn a surplus or create growth that would raise enough revenue to pay the interest; in other words, its borrowing should be revenue-neutral at least. It would have to impose the same discipline on the States as well. Once it did so, the entire annual increase in bank deposits would become available for productive investment; that would add a couple of per cent to the GDP growth rate. If it could be raised from 9 per cent to 11 per cent, we would be close to the scorching Chinese rate of growth. It is worth doing.

SHAH RUKH'S IPL ADVANTAGE P.24 DEMON OF INFLATION P.44

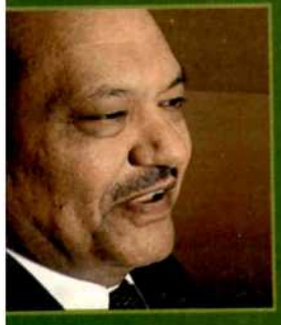
Businessworld

www.businessworld.in

11 FEBRUARY 2008

SUBSCRIBER COPY NOT FOR RESALE

EPIC JOURNEY



A never-before look at Anil Agarwal's transformation from trader to manufacturer

PAGE 56

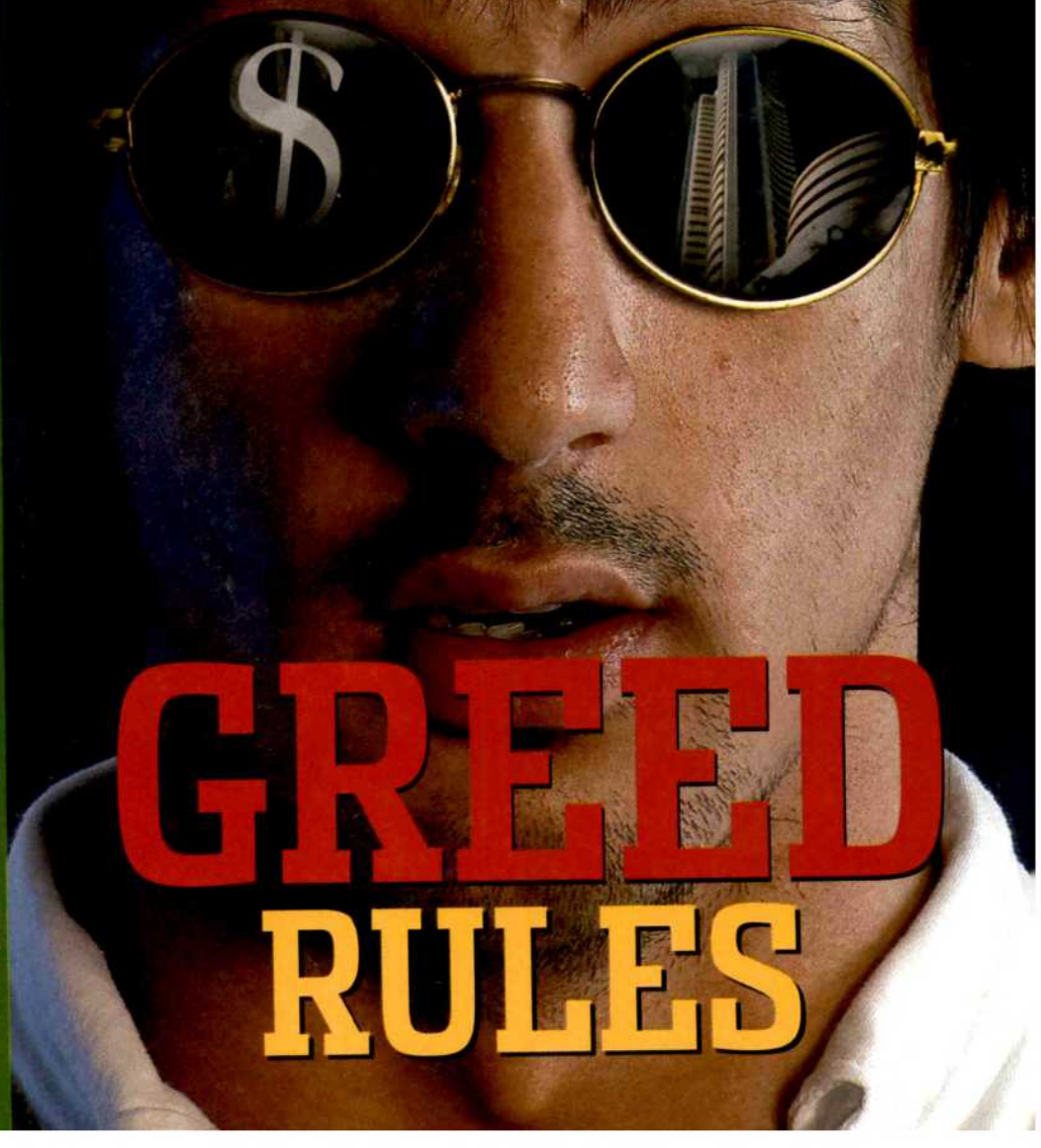
+

The surprising power shortage in Tamil Nadu

PAGE 50

INDIA'S No. 1 BUSINESS MAGAZINE MOST READ MOST SOLD

Despite the stockmarket correction, retail investors are showing no signs of retreat. Perhaps they should



GREED RULES

Nikon

COOLPIX

90th Anniversary

At the heart of the image

The New Nikon COOLPIX Collection.

Performance **Style** **Life**

EXPEED

VR Images stabilization

Better pictures in low light

Simply better portraits

Manufacturer's warranty

*Warranty will be limited only to repairs and adjustments for the 2nd year. Features vary according to models.

Aim. Shoot. Capture. It's that simple to save fun moments with the Nikon COOLPIX Collection. To start clicking just visit the nearest Nikon store and choose from our cool range of Life, Style & Performance digital compact cameras.

Nikon COOLPIX digital cameras from the Life, Performance and Style series are now available from **Rs. 7,950 to 24,950.** Get free gifts such as a 1 GB card, charger & battery on selected models.*

*Conditions ap

Fortune.2163.20

For further details please contact: **Nikon India Pvt. Ltd.,** Plot No. 17, Sector 32, Institutional area, Gurgaon -122002, Haryana, Phone No. +91-124-4688500, Fax No. +124-4688527, Serv Ph. No. +91-124-4688514; Service Email Id: nindsupport@nikonoa.net; Sales and support enquires Email Id: nindsales@nikonoa.net. **Delhi Distributor:** Interfoto India Pvt. Ltd. 808, Vikr Tower, 16 Rajendra Place, New Delhi, Ph. No. 011-41537938, Fax No. 011- 41537976, Email ID:info@interfotoindia.com, web site www.interfoto.in. **Mumbai Distributor:** Inter Foto In Pvt. Ltd. 602, 603, Nirman Kendra, Off Dr. E Moses Road, Near Famous studio, Mahalaxmi, Ph.No. 022-24925151, Email id: ipa@interfotoindia.com

www.nikon.co

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era buildsys

The technology edge

ERA BUILDING SYSTEMS LIMITED

From ushering in a paradigm shift in the construction industry through Pre-Engineered Buildings (PEBs) to developing strikingly long-lasting, avant-garde structures at unrivalled speed and surprisingly competitive cost.
From being one of the single largest, fastest growing and fully integrated PEB manufacturing plants in Pantnagar, North India, to featuring as the only PEB company in the country providing turnkey construction solutions under one roof.
From adhering to stringent processes and deploying sophisticated & imported equipment in PEB manufacturing to pioneering newer and hi-end applications for PEBs in the country.

Era Building Systems delivers the vital technology edge to create a new world of iconic structures.

era infra	era buildsys	era landmarks	era ezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.*	ERA BUILDING SYSTEMS LTD.**	ERA LANDMARKS (INDIA) LTD.***	ERA E-ZONE (INDIA) LTD.****	ERA POWER (INDIA) PVT. LTD.

(Formerly called *Era Constructions (India) Ltd., **Era Metal Building Systems Ltd., ***Era Infrastructure (India) Ltd. and ****Era Financial Services (India) Ltd. respectively.)

(#Combined presence of all group companies as on 30th November, 2007)

B-24, Sector 3, Noida - 201301, India | Ph.: +91-120-4037000 | Fax: +91-120-4037029

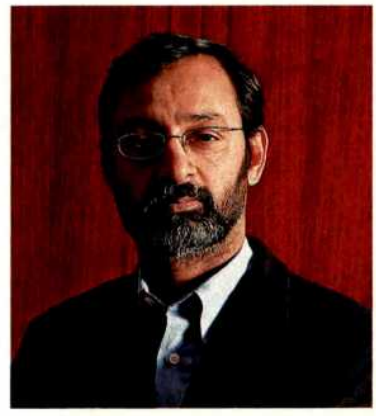
Corporate office:153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

Editor's Letter

Playing The Game

by srikanth srinivas, deputy editor



"HOW MUCH HAVE YOU LOST IN THIS market correction?" My taxi driver asked me this question as he drove me home last Tuesday night after the stockmarket went through one of its biggest corrections ever. It turned out that he, too, had some investment in the stockmarket — in a mutual fund scheme that his brother who worked at a stockbroking firm on Dalal Street had told him to buy. He was unsure whether his investment was going to be all right, this being his first venture in the market.

My taxi driver is just one from the wide spectrum of people who are entering the citadel of Capitalism for the first time in their lives. His nervousness is in stark contrast to the attitude of many traders/investors, who shrug off their losses, and who are sure the market will bounce back. The India growth story is alive and well, they say, and the market will scale new heights before too long.

Looking at the course of the market over the past six months, it appears that investors of every stripe have forgotten a fundamental axiom that the recent fall should have reminded them of: that equity capital is fundamentally risk capital, and you could lose all of it. You can make money in the long run but not if you keep making a series of short-term bets, one of which you hope will pay off big.

Not many investors seem to be able to distinguish between two stories: the India growth story, and the India market story.

The India growth story is one of high all-round economic growth over the past three years, and one that is likely to continue for a few more years. The India market story, on the other hand, is a story that could evolve differently: in fits and starts, where prices leap high and fall far, rather than glide.

Betting on the second is not the same as betting on the first. When investors confuse the two stories, risk becomes a sure bet, and the stockmarket becomes a casino. Day trading is using a slot machine. And in a casino, the house always wins.

Businessworld

Volume 27 Issue 38.
For the week 5-11 February 2008,
Released on 4 February 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)
Limited period special offer inside

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81

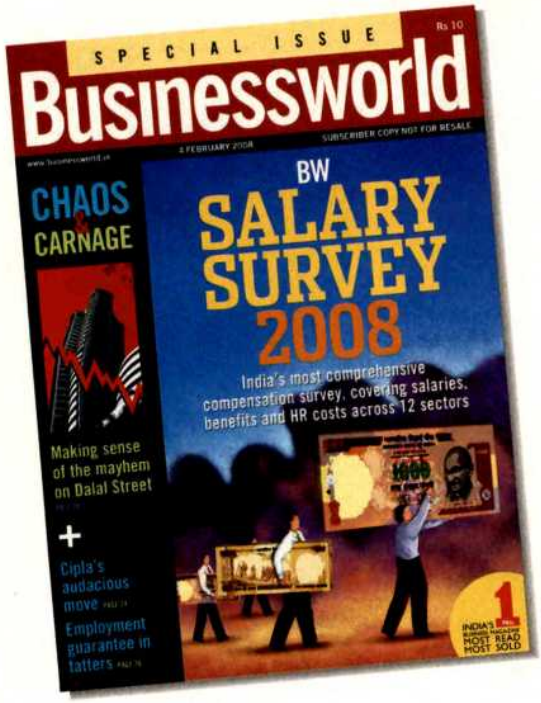
Not being there in the pages of Vanitha is as bad as not being there in Kerala at all. Because Kerala's hectic shoppers treat India's No.1 magazine for women as more than their favourite read. It's the biggest shop window Malayalees have ever seen.

Source: ABC Jan-June '07, NRS '06

Vanitha

India's No.1
magazine for women

Feedback your comments



Human Traits

Your salary survey (*BW*, 4 February 2008) brings forth the crucial roles HR managers play in organisations today, as opposed to sedate salary-allocators of earlier times. They must juggle several details in the budget itself, such as recruitment and retention, compensation plans, etc. Lack of skilled manpower and hence the increased training and recruitment costs are difficult to believe as over half the population of the country is below the age of 25, waiting to be recruited. Evidently, the country's education system provides certificates that add to social status but hardly qualify one for a practical job. If the same continues, India will remain as the back-end service provider for the world and never climb the value chain. It's time to step up and deal with the problem at the roots.

Karan Mohapatra, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

Investment Vehicles

Your insightful article 'Of Power And Towers' (*BW*, 28 January 2008) clarified a lot of my doubts. I have been working on projects, during my internshiop, on PE participation in infrastructure and real estate. So many PE funds have lined up to invest in Indian infrastructure but there seem to be a dearth of opportunities.

A part of the issue could be that PEs typically don't invest in projects but in companies. So, in a scenario where nearly all the infrastructure projects are done through special purpose vehicles, PEs are not comfortable in investing in individual project companies. On the other hand the domestic infrastructure companies are typically family owned, small (with very unclear value proposition) and valuations are not transparent.

Himanshu Chandra, via e-mail

In Depth private equity

Of Power And Towers

by Piyas Singh

PE deals in infrastructure are getting bigger than ever

A New Role

I agree, kirana stores ('Squaring Up To Survive', *BW*, 28 January 2008) will survive, but not so much because they'll offer services (like ticketing as mentioned) — since these will be easily replicated by smart retailers — but because the product assortment will change over time. As a result of their convenient locations, the typical 'top up' shopping would happen at these places. The Indian customer is eventually realising the 'value' of modern retail — competitively priced products in a good shopping environment — except that efforts on the food and groceries side have been thwarted of late.

Debashish Mukherjee, via e-mail

No Business Value

I didn't expect three pages devoted to such a non-issue ('Food with History', *BW*, 21 January 2008) in *BW*. The article ends by saying food miles highlights the issue of increasing concentration of food supply base and distribution in the hands of fewer transnational corporations. Basically your 'business' magazine highlights the food miles issue simply because of rise of Ricardian comparative advantage theory. I think the communist influence of your eastern origins are seeping into your content. The magazine might become an oxymoron soon.

Anuj Gupta, via e-mail

The letters have been edited for brevity.

HSBC Investments

我国的经济正蓬勃发展.
你怎能错过这投资良机?

Understanding Mandarin isn't easy. Fortunately, investing in China is.
Presenting the HSBC Emerging Markets Fund. It's a fund that invests in over 20 emerging economies like China, Brazil, Mexico and South Africa among others. With a key focus on industry structure, business fundamentals and financial strength, it identifies global companies which appear to have long-term growth prospects. With HSBC Investments' long-standing track record (approximately US $ 364 billion* AUM worldwide) and presence in emerging markets (assets worth US $ 85 billion*), would you want to miss out on such an opportunity? To know more, call us or your investment advisor.

NFO
28 Jan To 25 Feb 2008

HSBC Emerging Markets Fund
An open-ended scheme

sms INVEST to 56767

HSBC Mutual Fund

Issued by HSBC Asset Management (India) Private Limited

www.hsbcinvestments.co.in

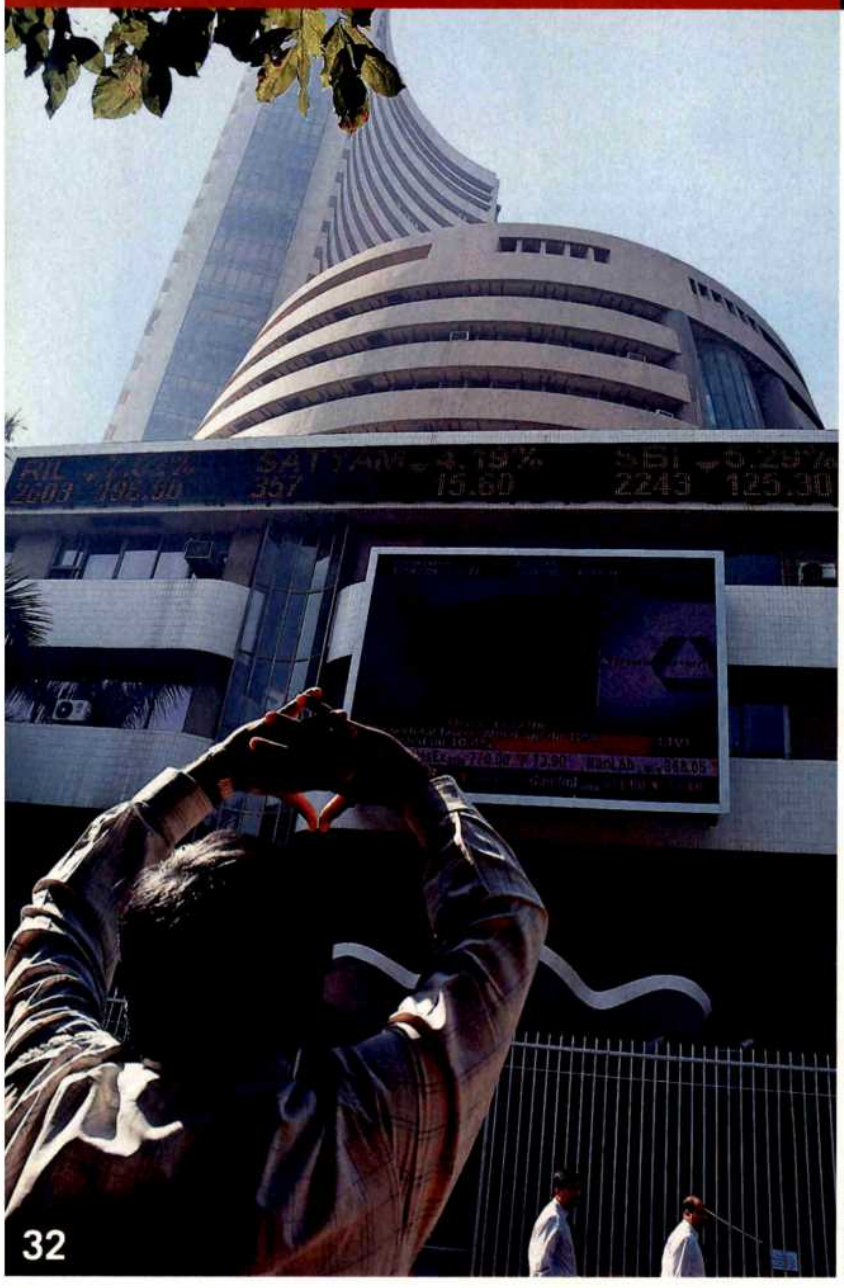
For more information call: • Ahmedabad 098983 77319 / 21 • Andhra Pradesh 098496 77319 / 21 • Bangalore 080 4118 6519 / 21 • Bihar 099313 97319 / 21 • Chandigarh 0172 500 8119 / 21 • Chennai 044 4200 8719 / 21 • Coimbatore 098944 77319 / 21 • Delhi 011 4149 0719 / 21 • Hyderabad 040 6667 4719 / 21 • Indore 098934 77319 / 21 • Jaipur 099280 37319 / 21 • Karnataka 099809 27319 / 21 • Kerala 098954 77319 / 21 • Kochi 098954 77319 / 21 • Kolkata 033 2213 9919 / 21 • Lucknow 099367 97319 / 21 • Maharashtra / Goa 099600 77321 • MP / Chattisgarh 098934 77319 / 21 • Mumbai 022 6666 8819 / 21 • NCR 099107 97319 • Pune 020 2600 1119 / 21, 020 2613 4283 • Punjab 098769 37319 / 21 • UP 099350 97321 • Vadodara 098983 77319 / 21 or write to us at hsbcmf@hsbc.co.in

*As on 30 September 2007 Source: HSBC Investments, 30 September 2007

Investors may obtain Offer Documents and Key Information Memorandums along with application forms from the office of HSBC Mutual Fund, 314 D.N. Road, Fort, Mumbai 400 001. Tel: 022-6666 8819. **Statutory Details:** HSBC Mutual Fund has been set up as a trust by HSBC Securities and Capital Markets (India) Private Limited (liability restricted to the corpus of Rs 1 lakh). The Sponsor/associates of the Sponsor/Asset Management Company (AMC) are not responsible or liable for any loss or shortfall resulting from the operation of the Schemes. The Trustees of HSBC Mutual Fund have appointed HSBC Asset Management (India) Private Limited as the Investment Manager. **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the Net Asset Value (NAV) of the Scheme may go up or down depending on the factors and forces affecting the securities markets. There can be no assurance that the objectives of the Scheme will be achieved. Past performance of the Sponsor, AMC, Mutual Fund or any associates of the Sponsor/AMC does not indicate the future performance of the Scheme of the Mutual Fund. Past performance and forecasted performance is not a guide to future performance. Country specific information could yield results substantially different than that be set herein. HSBC Emerging Markets Fund (HEMF) is the name of the Scheme and does not in any manner indicate the quality of the Scheme or its future prospects or returns. **Scheme Classification & Investment Objective:** HEMF (an open ended Scheme) seeks to provide long term capital appreciation by investing in India and in the emerging markets, in equity and equity related instruments, share classes and units/securities issued by overseas mutual funds or unit trusts. The fund may also invest a limited proportion in debt and money market instruments. **Asset Allocation:** Units/securities issued by overseas mutual funds or unit trusts of emerging markets # - 80 to 100% and Domestic Debt, Money Market instruments (including CBLO & reverse repo) and units of domestic mutual funds - 0 to 20%. *# Currently HSBC GEM Equity Fund is envisaged to be used for investing in the emerging markets however, HEMF could use any other global fund of HSBC Group to invest in emerging markets.* **Terms of Issue:** Units of the Scheme are being offered at Rs. 10/unit for cash plus applicable load during the NFO and at NAV based prices thereafter, subject to prevailing loads. The AMC will calculate and publish the first NAVs within 30 days from the closure of the NFO & will disclose the NAV of the Scheme on every Business Day. **Load Structure (includes SIP/STP) ^:** During NFO & Ongoing basis – Entry - 2.50% for investments/switch ins* below Rs 5 crores, otherwise Nil. Exit – 1% for investments below Rs 5 crores, if redeemed/switched out* within 1 year from date of allotment, otherwise Nil. * *No load in case of switches between equity Schemes of HSBC Mutual Fund.* ^ No entry load shall be charged in case of direct applications received by the AMC i.e. application received through internet, submitted to AMC or Collection Centre/Investor Service Centre and are not routed through any Distributor/Agent/Broker. It shall also be applicable to additional purchases done directly by the investor under the same folio and switch-in to a scheme from other schemes if such a transaction is done directly by the investor. The entry/exit loads set forth above are subject to change at the discretion of the AMC and such changes shall be implemented prospectively. **Please read the Offer Document carefully before investing.**

CONTRACT.HSBC.08.0124

Businessworld 11.02.08



SUBHABRATA DAS

COVER STORY

32 Bull Worship

Bearish trends in Indian stockmarkets fail to dampen common investors' blind belief in bulls.

ON POINT

10 Now Bite
With Cabinet giving more powers to FMC, its real test begins now.

11 The New Game
The cricket juggernaut may soon turn into a licence bandwagon.

16 Overhauling IMF
IMF's former deputy MD Stanley Fischer has reform very much on his mind.

18 FIANCHETTO
Weekly strategic corporate moves.

20 QUICK TAKE
Should India play peacemaker?

IN THE NEWS

24 Lucky Khan
Shah Rukh's IPL team is a money-spinner as he has no brand of his own to promote.

26 Rouge Trader
On motives of the man who burnt a $7-bn hole in the books of Société Générale.

28 Ringing In The New
BlackBerry faces challenge from new toys that are rolling out their India play.

30 Growth Pangs
IMF updates peg global economic growth lower than anticipated in 2007.

IN DEPTH

44 Credit Policy
Inflation is within RBI's comfort zone, but inflationary expectations worry Reddy.

50 Powerless in TN
Electricity shortfall will make the coming summer hotter in Tamil Nadu.

SPECIAL REPORT

56 Major Miner
The grit and gumption that go into making the man called Anil Agarwal.

TECH TALK

74 Watch The Virus
Avian flu spreads only from bird to bird. But what if the virus undergoes mutation?

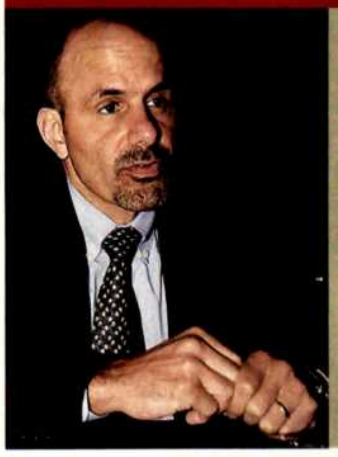
78 Synthetic Biology
This new science may change the world far more than computers have done.

IN VOGUE

81 Watch That Step
This year luxury shoes in bold colours and fine detailing will hit the Indian market.

86 Smart Homes
More than a hundred technophiles in India have got their homes automated.

88 Bookmark
Travels in Naxalite country, IDSA's strategic review 2007 and marketing to win.



IN CONVERSATION

40 WILLIAM J. AMELIO
PRESIDENT & CEO,
LENOVO

The computer company from China has managed the transition from a country brand to a global one. It is fast narrowing the gap with the leaders, and will soon be vying for the second spot.

COLUMNS

22 Ashok V. Desai
Government schools are jails for children where they learn little.

46 Nayan Chanda
Recent market jitters show Asian growth is linked to the rest of the world.

80 Paul Samuelson
The US tempted European banks into eating the evil apple of non-transparency.

BW & YOU

06 FEEDBACK

90 BW OPINION

Cover Design by Madhumangal Singh
Photographs: Amit Verma and Subhabrata Das

BWonline
businessworld.in
WEB EXCLUSIVES

Subduing Super Brats
In responsible parenting, 'consent' is an important word, says Ranjeev C. Dubey.

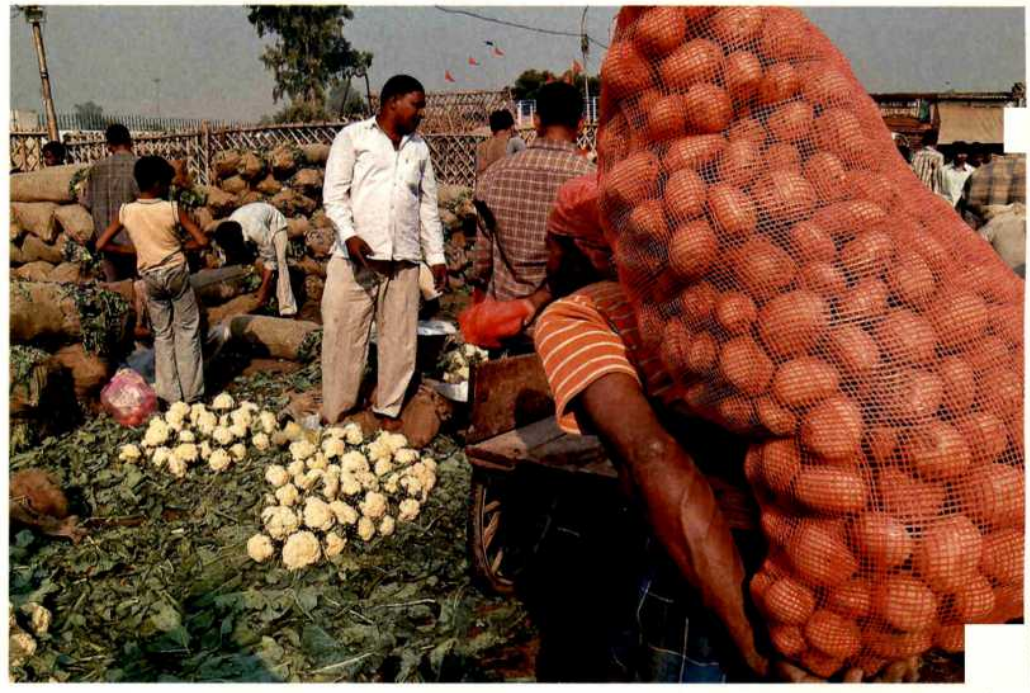
Mind Your Own Business
Laisram Indira on whether entrepreneurial cells in B-schools foster entrepreneurship.

Total No. of pages including cover: 92

FORWARD MARKETS COMMISSION

The Job Begins Now

The regulator will now be scrutinised and held accountable for its actions



TOI/DUNMAI CHADHA

LOADED: FMC now has to decide on whether to introduce options and allow new exchanges

TILL NOW, THE FORward Markets Commission (FMC), the regulator of India's commodities market, had the excuse that it was not sufficiently armed to set right the anomalies in the market (see 'Unfair Game', *BW*, 21 Jan 2008).

The past 10 days have seen the Union Cabinet clearing an ordinance that will make FMC an autonomous institution with the same powers, if not more, that the capital market regulator Securities and Exchange Board of India enjoys.

Further, the Cabinet paved the way for 49 per cent foreign investment in commodity exchanges.

The real test for FMC will begin now. It not only has to set its own house in order by roping in experienced members and recruiting expert staff, but also weigh the merits of a gradual and orderly opening up of the futures trading market vis-à-vis hasty liberalisation.

IIM Bangalore professor Gopal Naik, who recently made a presentation to the FMC on the status of the markets, says there are very few real players today. His primary survey of traders and processors revealed that they were hardly participating for hedging purposes.

"Exchanges today look at trade volumes more than the quality of players," he says. So, while futures are instruments for hedging, speculators are the only or dominant players, then the market will not work well. And in commodities where volumes are small — mentha, gaur seeds — large positions by few players can drive the market.

In this context, the FMC has to take independent and unbiased decisions in the interest of all stakeholders including farmers and corporate hedgers.

P. Vaidyanathan Iyer

2 **trillion SMSes will be sent worldwide this year, according to Cellular Telecom & Internet Association**

QUOTE OF THE WEEK **"Members of Congress should know: If any bill raising taxes reaches my desk, I will veto it."**

– US President George W. Bush in the State of the Union address in Washington, D.C., on 28 January

RELIANCE ENTERTAINMENT

Licence To Play

Licensing and franchising could soon dominate Indian sports biz

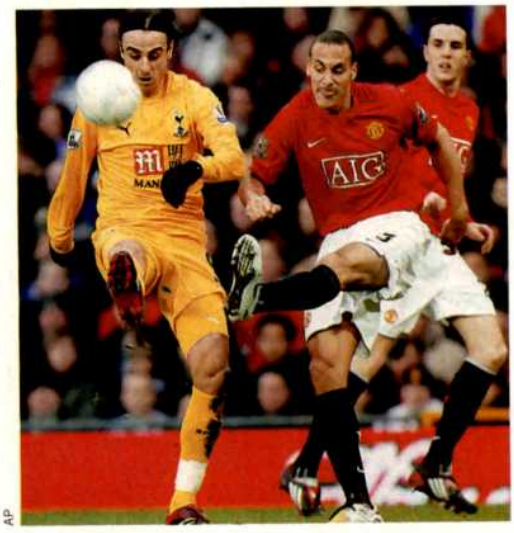
RELIANCE ENTERTAINMENT-owned Jump Games' deal with the world's richest football club, Manchester United, marks the emergence of the sports licensing business in India.The deal allows Jump Games to create six football games with ManU club and its star players for the global market.

Soon, you may find the cricket juggernaut in India jumping onto the licensing bandwagon. Like, Indian Premier League games on mobile phones and gaming consoles. Or, star cricketers could take a cue from Bipasha Basu, who has licensed her image to Jump Games for a JetSki adventure on mobile phones.

Sports franchising will go beyond gaming. Sachin Tendulkar has licensed his name to his own joint ventures — one for fitness and sports equipment with the Manipal group and the other for sports retail with Future Group.

Sports brands have great crossover appeal, too. Gitanjali Gems licensed Wimbledon's name to attract the European and American customers when it opened stores in the US last year.

Feroz Ahmed



AP

AIMING HIGH: Reliance Entertainment could now reach the global sports market

Global NEWS

AP

Kenya in crisis: Years-old tribal feud, and not political difference, is tearing Kenya apart. The war between the prominent tribes of Kikuyu and Luo — President Kibaki belongs to the former and opposition leader Odinga is from Luo — intensified since the murder of an opposition leader last week.

BIGGEST TRADING LOSSES

Societe Generale, France's second-largest bank, suffered $7.2 billion loss due to unauthorised bets on stock-index futures

Some of the biggest and most notable losses by rogue traders

Company (Country): Year	Loss	Cause of loss
Societe Generale (France): 2008	$7.2 billion	Stock-index futures
Amaranth Advisors (U.S.): 2006	$6.6 billion	Natural-gas futures
Sumitomo (Japan): 1996	$2.6 billion	Copper futures
Barings (U.K.): 1995	$1.8 billion	Asian futures
Allied Irish Banks (Ireland): 2002	$691 million	Currency options

Bloomberg

NELP-VII

OLD WINE IN NEW BOTTLE

THE GOVERNMENT IS CONCERNED NOT many big players will bid for the 57 oil blocks offered under the New Exploration Licensing Policy VII (NELP-VII). It is hardly surprising since only 18 of the 57 blocks are new. The remaining 39 blocks are those that did not find any takers in the previous auction.

Still, the government is not leaving any stone unturned to attract about $3.5 billion investment from Indian and foreign players. While initial indications are that results could be similar to earlier rounds, the government is betting on changes in the criteria for qualification to lure the global biggies.

Analysts say foreign oil and gas majors may be interested in a few blocks including the 19 deep water ones, with the rest being bid for largely by domestic companies. "While foreign players are impressed and have a level of comfort and interest about India's ability to deliver material discoveries, it does not mean they will bid."

M. Rajendran

CHINESE STORMS

Chinese passengers with umbrellas wait for their trains amid rain outside the railway station in Guangzhou, south China's Guangdong province, on 27 January. About 200,000 travellers were stranded by blizzards and ice storms that have created a transportation crisis during China's busiest travel time of the year.

AP

TELECOM

Disconnect At The Top

SANJIT KUNDU

Dilly-dallying on divesting BSNL might derail its expansion plans

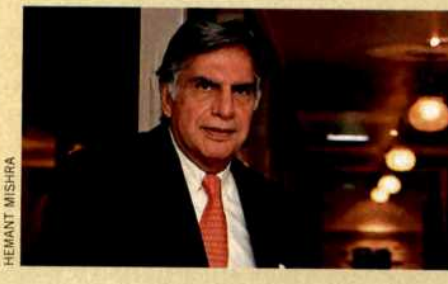
BSNL NEEDS AT LEAST Rs 40,000 crore to meet its broadband and mobile service targets. It also requires resources to achieve its rural roll-out obligation with fund inflows from access deficit charge (ADC) scheduled to end next month. BSNL can plough back the revenue from urban areas, but the margins are getting thin given the intense competition and also a drop in its average revenue per user.

Against this backdrop, the government's flip-flop on disinvesting 10 per cent in the state-owned telecom major only serves to derail its expansion plans and erode its competitiveness.

The communication ministry says it was just a proposal and nothing more, but an in principle approval for 10 per cent equity sale exists for many years now.

M. Rajendran

GLOBAL ACQUISITIONS



HEMANT MISHRA

A Potent Mix

CORPORATE INDIA'S OVERSEAS BUYING SPREE continues and is only getting bigger. After the $13-billion acquisition of UK's biggest steel maker Corus Group, the Tata Group, with $28.8 billion in total revenues, has bought US-based General Chemical Industrial Products for $1 billion. The latest purchase will make Tata Chemicals the second largest soda ash maker in the world. The country's second-largest business group seems to be growing fast, but then India's growth story too is no less exciting.

Reality Check

As many as 52 per cent of American consumers would prefer a made-in India product to a made-in-China one, according to a *Fortune* magazine survey

US ELECTIONS

PRIMARY LESSONS

REPUBLICANS, WHO were lagging behind in the US elections — hitherto dominated by star Democratic candidates Hillary Clinton and Barrack Obama — have come to the limelight with the Florida primary results on 29 January.

John McCain won in the first 'closed' contest in which only registered Republicans could vote. Mitt Romney, who finished second, will remain McCain's main rival as the campaign expands nationwide

BLOOMBERG

next week.

The Florida win gave McCain all of Florida's 57 delegates and also catapulted him as the front-runner in the 'Super Tuesday' — 5 February — when 1,023 delegates will be chosen in 21 primary contests.

Among Democrats, Hillary Clinton won in Florida. Interestingly, this was a contest without purpose for Democrats as they had stripped Florida of its delegates as a punishment for moving the election date up without permission.

Hillary's victory is still significant as it symbolically offsets Obama's stupendous win in South Carolina on 26 January.

Now all eyes are on Super Tuesday.

T.K. Vineeth

TOP 10 LISTINGS

THE WORLD'S WEALTHIEST CEOS

1	Warren Buffett, Chairman and CEO, Berkshire Hathaway	52
2	Lakshmi Mittal, Chairman and CEO, ArcelorMittal	32
3	Sheldon Adelson, Chairman and CEO, Las Vegas Sands	28
4	Bernard Arnault, Chairman and CEO, LVMH Group	26
5	Lawrence Ellison, CEO, Oracle	26
6	Mukesh Ambani, Chairman and MD, RIL	20.1
7	Anil Ambani, Chairman, Reliance ADA	18.2
8	Michael Dell, Chairman and CEO, Dell	17.2
9	Azim Premji, Chairman, Wipro	17.1
10	Charles Koch, Chairman and CEO, Koch Industries	17

Figures are net worth in billion dollars

Source: *Forbes*

The *FT* global B-school ranking list has only one Indian school in the top 20

EDUCATION

ISB Springs A Surprise

THE INDIAN SCHOOL OF Business (ISB) making it to the top 20 global B-schools list by *Financial Times* illustrates what private initiative can achieve even in an unhelpful environment.

The venerable Indian Institutes of Management (IIMs), which take the cream of the country's talent do not find a mention in the list. That's perhaps because they remained 'Indian' when they should be global. Inflow of international students at ISB — who now constitute 5 per cent of total intake — may increase with the new ranking.

The Hyderabad-based school outperformed even its mentor Wharton, which was ranked 24th in the list.

With costs for management education soaring in the developed world, ISB sensed an opportunity and seized it even as the IIMs pored over rules for going global.

M. Allirajan

SME Banking |
Business Instalment Loan

• Lending upto INR 30 lakhs
• No collateral/ security required

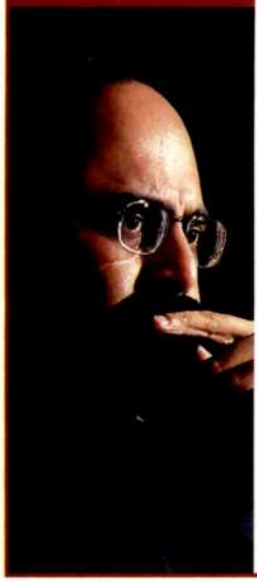
Call 39404444/ 66014444

Conditions apply.

Standard Chartered

THE COST OF BAD GOVERNANCE

BY RAJEEV CHANDRASEKHAR



DILEEP PRAKASH

WE ARE AWARE OF MANY INSTANCES of bad governance — political and bureaucratic. The malaise has now spread to independent regulators, an institution we least expect it to come from. The creation of regulators was a natural consequence of the process of liberalisation. The regulators that are well known are RBI and SEBI. But there are many other sector-specific ones like IRDA for insurance, TRAI for telecom and the TAMP for major ports.

A regulatory body is supposed to be a credible and empowered institution, insulated from the bureaucracy and politicians, and therefore capable of taking independent and uncompromised decisions in the interest of the country, consumers and investors. While the idea of an independent regulator and the need for it remain compelling, India's experience has been very mixed and in many cases indefensible.

Let us take one example of TAMP to demonstrate the commercial impact of its decisions. A private company wins the bid for operating a container terminal. The bid criterion is percentage of revenue and the tariffs chargeable are determined by TAMP on a cost-plus basis. TAMP then defines what is considered cost and allows the treatment of royalties to be paid to government as costs and calculates tariffs accordingly. It also calculates tariffs based on costs and projected traffic and utilisation — with no correction or claw-back if utilisation exceeds projections. In effect, the largesse to the port operators is to the tune of $1.5 billion!

Mercifully, the cost-based approach to tariffing is being increasingly given a go-by by regulators. But the important point is that there was hardly any debate or discussion about these decisions by the regulator and the windfall gains accruing to the private company operating as a concessionaire to the government.

This is the argument for better oversight of regulators — both by Parliament and civil society and media.

The less than satisfactory performance of regulators is causing a phenomenon called 'regulatory arbitrage' being practised by many savvy corporates — where tremendous value is created for a corporate by either manipulating the regulatory process or by influencing it and consequently resulting in huge losses to the country.

MEDIA

The Pink Paper Boom

The English business daily space will soon get crowded

DECCAN CHRONICLE IS shortly launching a financial daily and it has appointed a senior journalist as COO. Network 18 (formerly TV18) is also making an aggressive push.

Network 18's strategy is to acquire an existing brand — it has been in talks to acquire *Business Standard* for some time. "We will know the outcome in about four weeks," says Network 18's CEO Haresh Chawla. "In any case, we are clear we want an English financial daily."

TRIBHUWAN SHARMA

Is there space for a fifth and sixth entrant in an already crowded English financial daily market?

The new entrants point out there were pessimists galore when dozens of news channels were launched.

Yet, very few have shut shop and early write-offs like India TV have proved their sceptics wrong.

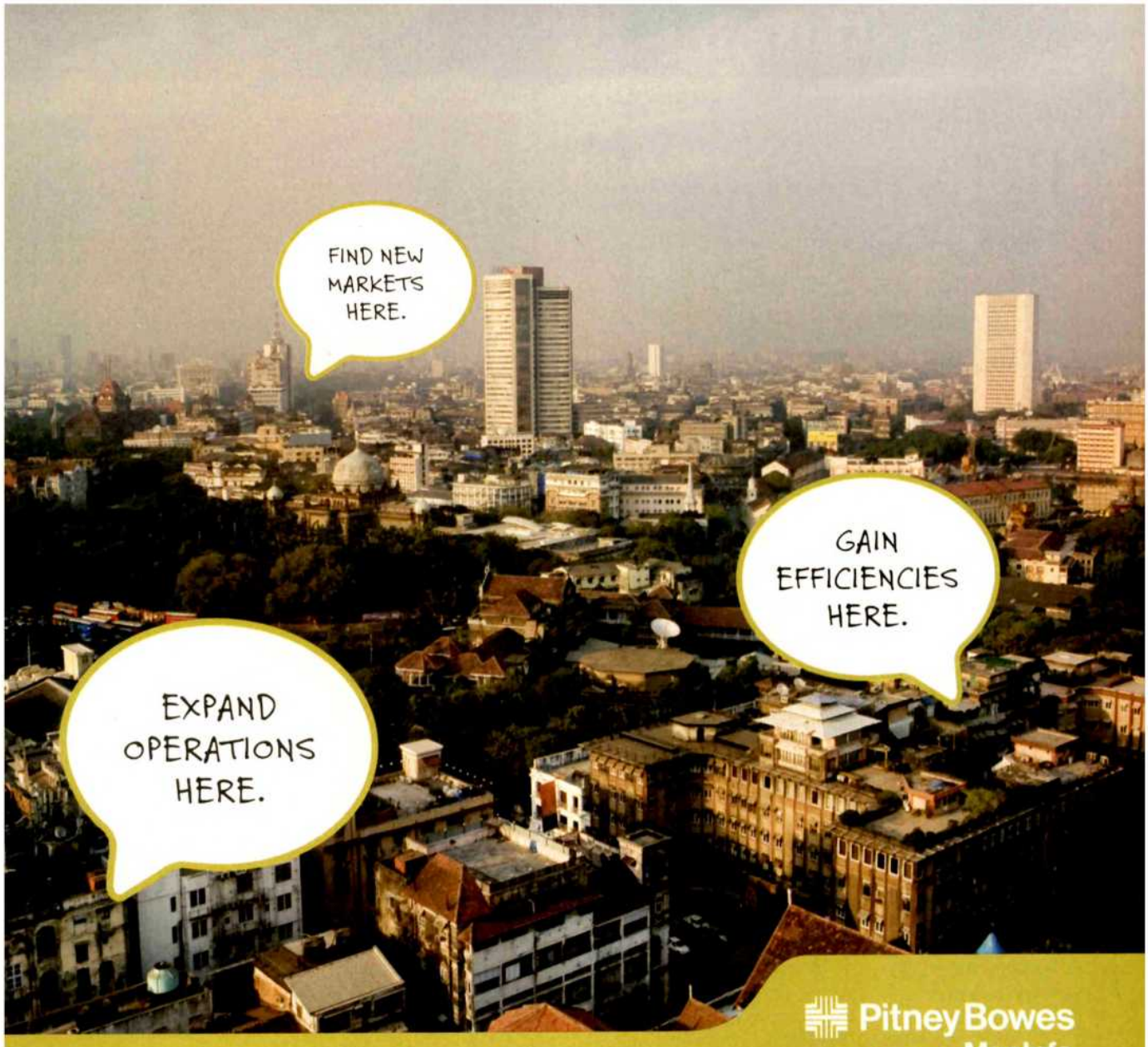
Gurbir Singh

Virtual

BIZ

Human touch: IBM's Virtual Business Center offers a unique concept. Instead of robots, it is operated by human beings, who chat with visitors in several languages. IBM's 6,000-odd 'virtual' staff speak 15 languages including Hindi and Mandarin. Using a 'virtual centre' is more effective than browsing a website, because one can talk to real people in one's native language.

50 million. The number of people who eat at McDonald's restaurants worldwide every day.



Pitney Bowes MapInfo

FROM MORE EFFICIENT OPERATIONS TO HIGHER ROI, YOU CAN LEARN A LOT FROM LOCATION.

Location intelligence can tell you precisely how and where to grow. How to add more wow to customer service. Even how to make your operations more efficient, and your offerings more differentiated. To start listening, talk to the location intelligence professionals at Pitney Bowes MapInfo. Through comprehensive software, expansive data sets, expert consulting and support, we help your entire organisation leverage the unique power of location-centric information for better, more informed decisions. See what location intelligence tells you. For more information contact us at india@mapinfo.com. **Be Location Intelligent®**

See how location intelligence drives key business decisions.
Download *Location Intelligence: The New Geography of Business* at mapinfo.com/location64

©2008 Pitney Bowes MapInfo Corporation. All rights reserved. MapInfo and the MapInfo logo are trademarks of Pitney Bowes MapInfo Corporation.

IMF

Reform Or...

IMF should rebalance its members' voting rights, says its former deputy MD

VULNERABLE: Fischer believes India can't steer clear of turbulence in global markets

STANLEY FISCHER, WHO was First Deputy Managing Director of IMF from 1994 till 2001, was in Delhi. This must be his nth visit. But earlier, when he came as an international bureaucrat, he slipped in and out unobtrusively; press interviews or public talks were definitely out. Now, however, he is Governor of Central Bank of Israel and is prepared to let his hair down. He taught in Massachusetts Institute of Technology from 1977 till 1994.

Although it is six years since he left IMF, its reform is very much on his mind. Set up by the Bretton Woods conference in 1944, IMF has an antiquated management structure. It has a board of 22 countries, elected from its 184 member countries. Unlike corporate directors, the directors of IMF do not go home; they are in Washington all the time. They meet once a quarter, and ratify all decisions. And the board members represent their countries' interests first. When there is a crisis, they have to be hustled by the management to take quick decisions. So the politics of management can take more of the management's time and energy than decision taking itself.

In Fischer's view, the most urgent problem facing IMF is a rebalancing of the member countries' voting rights to reflect the change in their relative importance in the past 64 years. That, however, is not very relevant to India, for surprisingly, India was no less important then than now. For decades it lost weight on account of slow growth, and has only been making up for it in the past two decades. But the Europeans' votes would shrink considerably; no wonder that they are not keen on reform.

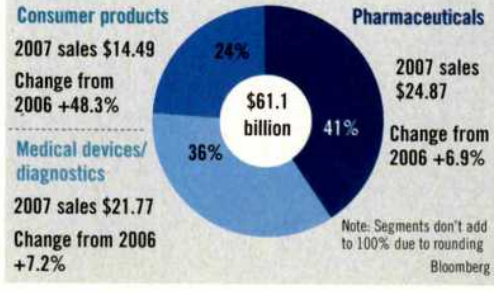
Although Fischer is an optimist about India, he made the obvious point that there is nothing like decoupling — that any country is sensitive to international turbulence. But domestic stimuli to growth in India may moderate its impact.

Ashok V. Desai

J&J BENEFITS FROM PFIZER

Johnson & Johnson's more diverse range of products has helped the company offset sales declines in Cypher heart stents and Procrit anaemia drugs. Total 2007 sales rose 14.6%

2007 worldwide sales by segment and % change from 2006



Note: Segments don't add to 100% due to rounding

Bloomberg

BROADCASTING

RULED BY CARRIAGE FEES

THE Q3 RESULTS OF Wire and Wireless India (WWIL), formerly Siticable, reveal a new source of income, carriage fees. The Zee Group cable company has attributed Rs 26.4 crore to carriage fees — a levy imposed by cable distribution companies on broadcasters to distribute their channels in the visible bands. The size of the levy determines how visible the channel is. TV channels always shelled out carriage fees, but never quite admitted it.

For WWIL, it accounted for nearly 40 per cent of its total Q3 revenue. WWIL has been around for well over a decade, but still posts losses — Rs 28.5 crore in Q3 — showing how difficult it is to collect subscription fees, the main line of revenue.

Gurbir Singh

THE ONLY PBX WITH VoIP, GSM AND ISDN

Enterprise PBX
Up to 512 Ports

Different telecom networks like VoIP, GSM, ISDN BRI-PRI, PSTN and E1-T1 offer distinct advantages. Modern businesses need a product that converges all such networks to provide a single-box solution. Thus helping them avail of the benefits offered by all.

Matrix presents Eternity, an Integrated Enterprise PBX that offers Universal Connectivity to all these networks. Utilising the intelligent Least Cost Routing (LCR) logic, Eternity routes calls through appropriate networks ensuring the least possible call cost.

Choose Matrix Eternity - the only Enterprise PBX that offers Universal Connectivity.

Built-in GSM Gateway • Built-in VoIP Gateway • Up to 8 PRI Lines

Networking of Branch Offices • Least Cost Routing • Conference Bridge

MATRIX
TELECOM SOLUTIONS
▶PRODUCTIVITY MULTIPLIED▶▶

Goldmine/bro/Matrix

AHMEDABAD: 9377774302, **BANGALORE:** 9343374302, **CHANDIGARH:** 9356674302, **CHENNAI:** 9382264704, **COCHIN:** 9349227228, **DELHI:** 9313074302, **HYDERABAD:** 9346809557, **INDORE:** 9301874302, **JAIPUR:** 9301874302, **KOLKATTA:** 9333374302, **MUMBAI:** 9322074302, **PUNE:** 9326774302, **SURAT:** 9377774302

HEAD OFFICE: Ph.- +91 265 2630555, Fax- +91 265 2636598, E-mail: Inquiry@MatrixTeleSol.com, www.MatrixTeleSol.com

BLOOMBERG

Ispat Industries' Georgian find

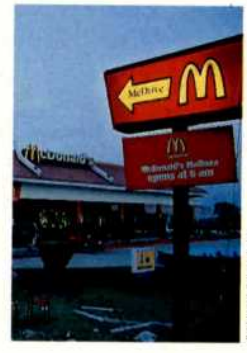
Global Steel Holdings, which owns Ispat Industries, has acquired two oil and gas areas — Block-VIIB and Block VIII — in the Black Sea region of Georgia. While Block-VIIB produces oil, the other requires further exploration.

The producing area, located 350 km from Tbilisi, Georgia's capital, has reserves of 350 million barrels, while Block-VIII holds 220 million barrels.

The company owns 14 million tonnes of steel capacity across six countries. The move was aimed at becoming a major player in natural resources with emphasis on minerals and raw materials for steel making and energy sectors.

McDonald's paradigm shift

Bitten by stagnant growth in the past few months, retail restaurant chain McDonald's is shifting focus to the fast growing markets of India and China. This year, 125 new outlets will be opened in China, while 140 outlets will be added to the existing 135 in India. McDonald's will spend $2 billion for this expansion.


SANJAY SAKARIA

Jindal Saw gets a shot in the arm

Pipe maker Jindal Saw has secured a contract worth more than $200 million from Cairn Energy India for the supply of line pipes, tracer tubes, insulation and bends for Barmer Salaya Pipe Line project.

The pipeline will be used to transport heavy crude oil from oil fields in Mangala in north-west India to a terminal in Salaya, covering a distance of 600 km.

Jindal will start executing this order from May. The project is expected to be completed by the end of this year. The pipeline will be jointly owned by Cairn and state-run explorer ONGC.

All game for it

India's entertainment company Pyramid Saimira Theatre group has acquired a majority stake in UK's Aurona Technologies, a gaming software company.

With this deal, reported to be worth $20 million, Pyramid Saimira group marked its entry into the high-growth, high-margin animation and gaming industry.

Aurona Technologies develops games, software and e-learning solutions for entertainment companies.

BHEL's Rs 700-crore expansion

Bharat Heavy Electricals (BHEL) has announced it will invest Rs 736 crore in its Trichy plant to

DEALTRACKER

BW-THOMSON FINANCIAL M&A TRACKER

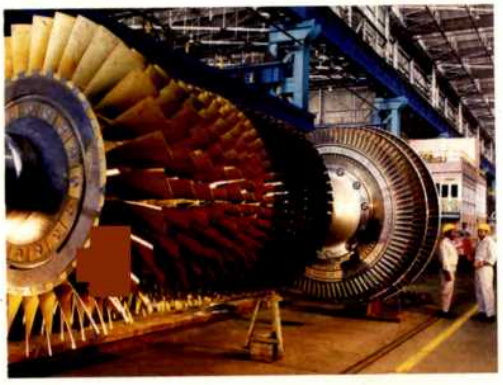
January The Asian M&A market saw 438 deals worth $24.26 billion as on 28 January. Indonesia was the largest market with deals worth $5.41 billion. China was the largest in number of deals (167 deals).

Top Indian deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($M)
Reliance Energy	India	AAA Project Ventures	India	1,997.91
Ruia RE Dvlp Co.	India	Phoenix Mills	India	1,292.08
Ballarpur Paper Holdings	India	Investor group	Singapore	175.00
NDTV Networks	India	NBC Universal	US	150.00
Global Trade Finance	India	SBI	India	132.21
BOC India	India	BOC Group	UK	71.30
Flat Products Equipments	India	CMI	Belgium	48.80
M. Pallonji Enterprises	India	Goldman Sachs Strategic (Asia)	US	45.92
Broech Corp.	US	Rolta India	India	45.00
Bridge Strategy Group	US	Satyam Computer Services	India	35.00

Figures for 13-26 January 2008

Figures for 1-28 January 2008



increase capacity by 2009. The move is significant since it would see investments flowing into building supercritical boilers (energy efficient boilers) — an area the public sector behemoth forayed into recently.

Last week, it signed an agreement with the Tamil Nadu Electricity Board for supplying supercritical boilers.

BHEL also has a technology transfer arrangement with Alstom for supercritical boilers.

Emaar MGF's grand India plans

Emaar MGF Land, a joint venture between Emaar Properties PJSC of Dubai and New Delhi-based MGF Development, has announced its first big expansion plan in India — building 100 budget hotels and 5,000 rooms within five years.

The company has land reserves in 26 cities measuring approximately 13,024 acres, out of which it has development plans for approximately 12,028 acres.

Bartronics takes the inorganic route

Hyderabad-based Bartronics India has acquired the assets of Australia-based Proximities and US-based SRG America Inc through its US subsidiary — Bartronics America — for $50 million.

This will provide Bartronics new technology patents, besides access to a diverse range of sectors.

Proximities is a privately-held company headquartered in Melbourne, which develops and markets secure RFID cashless payment, access control and age verification solutions.

Software Research Group is a 10-year-old profitable IT firm, headquartered in New Jersey.

HDFC levarges its insurance biz

With the Insurance Regulatory and Development Authority approving the sale of 26 per cent stake in HDFC General Insurance Company to ERGO International, HDFC will now be able to leverage its insurance business.

IRDA's 'in principle' approval is for transferring 26 per cent stake (32.50 million equity shares of Rs 10 each), which will fetch HDFC Rs 235 crore. The transaction will be completed by the end of this month.

SUBHABRATA DAS

Figures for 1-24 January of the corresponding years

Top Asian deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($M)
Citigroup	US	Investor group	Singapore	12,500.00
Merrill Lynch & Co.	US	Investor group	South Korea	6,600.00
Bumi Resources	Indonesia	Bakrie & Brothers	Indonesia	3,910.43
Reliance Energy	India	AAA Project Ventures	India	1,997.91
Ruia RE Dvlp Co.	India	Phoenix Mills	India	1,292.08
Pearl Energy	Singapore	Mubadala Development Co.	UAE	877.50
Straits Trading Co.	Singapore	Knowledge Two Invest	Singapore	876.74
PLDT	Philippines	NTT DoCoMo Inc.	Japan	820.01
Energi Mega Persada	Indonesia	Bakrie & Brothers	Indonesia	762.59
Mando Corp	South Korea	Investor group	South Korea	687.44

Figures for 13-26 January 2008

Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

Quick Take

Should India play a role in facilitating peace processes in its neighbouring countries?

We asked... Nagesh Kumar, DG, Risk and Information Systems for Developing Countries, Ishrat Aziz, Pres, Assoc. of Indian Diplomats, Sreemati Chakravarty, Professor, Delhi University, P.K. Choudhury, Vice Chairman and Group CEO, ICRA, Arun Kumar, Associate Director, KPMG, Brahma Chellaney, Professor of Strategic Studies, Centre for Policy Research, K.T. Chacko, Dir., IIFT, Ajay Shah, Sr Fellow National Inst. for Public Finance and Policy, Pawan Gulani, Mgr for Strategy in Finance, Reliance Retail, Srickant Rajagopal, Assistant Vice-President, SSKI Corp Fin and Investment Banking, Amod Verma, Engineer, Qualcomm

"New Delhi has to be involved in processes promoting stability within any neighbouring state."

Brahma Chellaney, Professor, Centre for Policy Research

"Intervention is avoidable unless the initiative is through multilateral bodies like UNO."

P.K. Choudhury, Vice Chairman and Group CEO, ICRA

"It is to our benefit if there is greater trade, financial integration and investment in the region."

Ajay Shah, Sr Fellow, National Institute for Public Fin. and Policy

Yes 55%

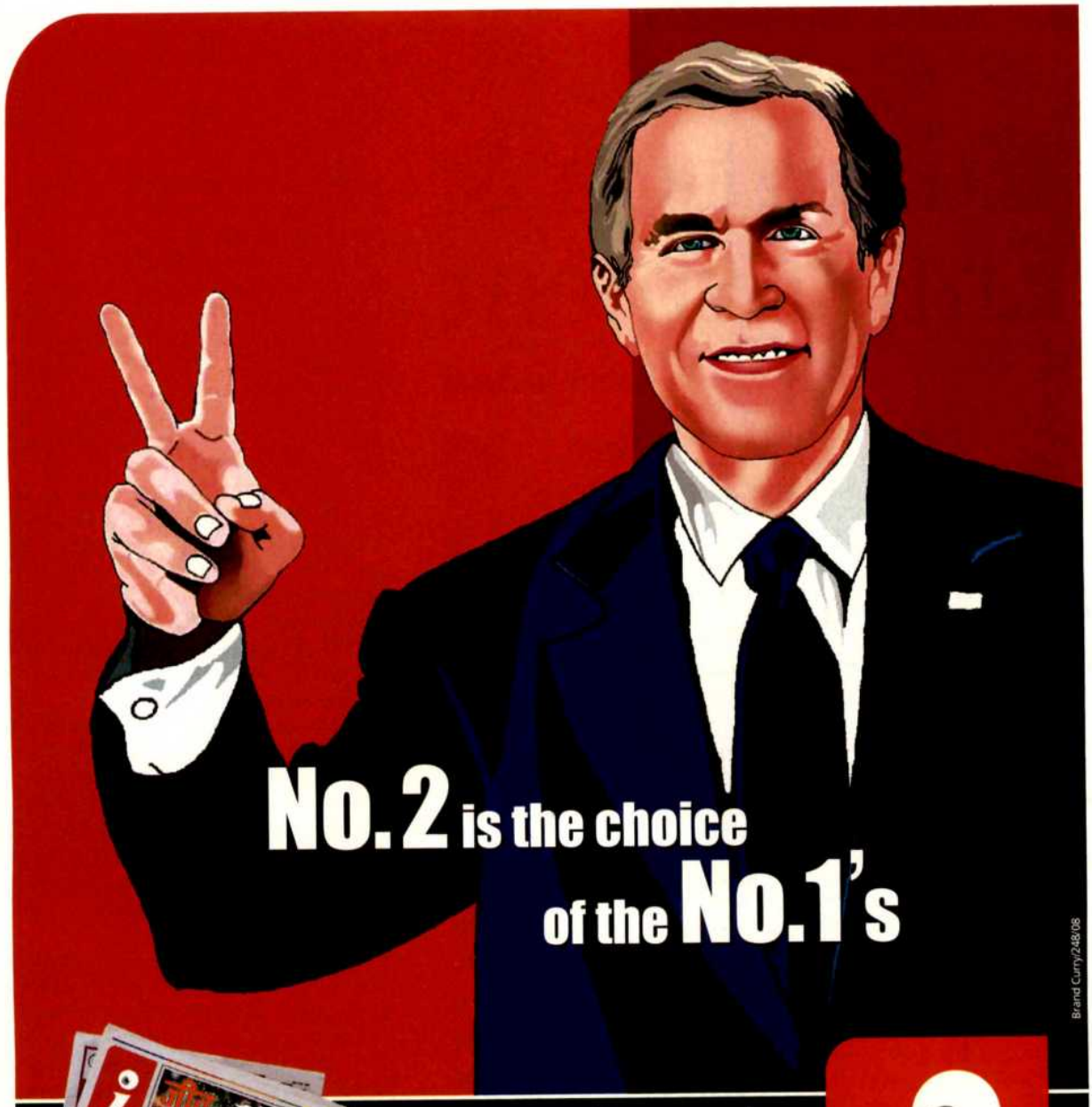
YES BECAUSE: Geographically, India accounts for more than half of what we call the South Asian Association for Regional Cooperation or Saarc. So, some believe that when the other half is in a chaotic state, India's role as a mediator significantly gains relevance. The current state of affairs in most of India's neighbouring countries can prove to be detrimental to the overall growth process in the region as internal turmoil or instability in any state carries trans-border implications. So, India's growth, too, would subsequently suffer. In view of this, some believe that it would be in India's own interest to take initiative to help these countries achieve stability. From Myanmar to Pakistan, and from Nepal to Sri Lanka, the outcome of such processes will influence the level of direct and indirect threats to Indian security.

No 27%

NO BECAUSE: Some of the respondents were of the view that it would not make sense for India to intervene in the internal matters of any of its neighbours. Even though it might seem that it is in India's interest to come forward and help these nations facilitate peace processes, there might be severe backlash involved. Nations can be, and generally are, quite sensitive about their internal matters and a proposal for stability by India might not be received well and may be seen as interference rather than facilitation. Also, even though it has the economic clout, India is not yet strategically positioned to act like the US or China have done in the recent past. With several internal matters of its own that pose grave challenges to its development, India should be more inwardly focussed at this point.

Maybe 18%

MAYBE BECAUSE: A few respondents believed that India needs to take the middle path. It would, without a doubt, be in India's interest that its neighbours achieve stability fast, but to circumvent the risk of seeming meddlesome, India has to avoid taking any initiative. Instead, it needs to act in a very low-profile manner to mobilise the international community to take notice of the turbulence in these countries. India needs to let its prosperity permeate to its neighbourhood, which can be done by removing trade barriers and giving these countries greater market access, by helping them build production capacity, etc. Also, any initiative by India to facilitate a peace process has to be at the request of the sovereign authority of that country, and ideally, with the consent of all the conflicting parties.



No.2 is the choice of the No.1's

Kanpur aur Banaras ka favourite i-next

i-next, already No.2 in Kanpur & Varanasi and on the verge of attaining this feat in Lucknow & Meerut, is a 24-page compact newspaper of international design. With its recent launch, it has already taken Agra and Allahabad by storm and has met with a tremendous reader response. And with Dehradun edition being already launched, it will be the No. 2 in the major cities of U.P.

By itself a potent force. And in combo with Dainik Jagran, an unbeatable media option. The future of news is ready for you. Are you ready for it?

Kanpur: 75241* • Lucknow: 63342* • Meerut: 36270* • Varanasi: 42643* • Agra: 26233*

i next

हर दिन एक नई शुरूआत

*Circulation figure as on 24th Dec. 07

Brand Curry/248/08

Connect to i-next through: Delhi-9350117673, Lucknow-9839068341, Kanpur-9956985780, Hyderabad-9849273753, Meerut-9917480084, Agra-9837087973, Varanasi-9415300253, Mumbai-9323797949, Kolkata-9830391527, Bangalore-9886044234, Chennai-9841002776

Education & Employment

by ashok v. desai

THE CENTRAL GOVERNMENT'S NATIONAL SAMPLE Survey takes a sample of the population every year and asks it all kinds of questions. In the 61st round, held in 2004-05, NSS asked questions about employment, education and earnings. Teamlease, the placement firm, got Indicus, the data processing firm, to tabulate the results. According to them, 3.1 per cent of the adult population was unemployed. This must sound surprisingly low to many people, who see young peo ple hanging around on the streets and whose own children often cannot get a job. But unemployment in India is no higher than in the US, and much lower than in Europe.

Government schools are jails for children where they learn little; and they are sinecures for teachers

The more educated the people were, the higher was the rate of unemployment. Amongst those who did not finish primary school, it was 1.5 per cent. Amongst those who completed primary, secondary and college education, it was 2.2, 6.1 and 10.2 per cent respectively. Apparently, if you want to lower your chances of employment, you should get education. Maybe some people realise this and give up. Dropout rates are 8, 23, and 29 per cent in primary schools, secondary schools and colleges respectively.

Those dropouts were sensible. Why did we all other idiots go to school, college, management institute, engineering college and so on? Partly for higher earnings. An average illiterate person earned about Rs 1,200 a month. A secondary school graduate earned almost three times as much – Rs 3,500 a month. A graduate earned almost five times as much — some 6,000 a month. The figure must look low to my graduate readers, some of whom are drawing seven-figure salaries. But they are the lucky ones; most graduates earn much less. Still, the returns to education are extremely high — higher than on equity or real estate.

There is another reason for getting educated — you earn more simply by living longer. The income of a primary school graduate does not go up much with age; if he got Rs 1,500 a month when he started, he might end up with Rs 2,000 when he retires. A graduate in his twenties may not start on much more — maybe Rs 2,000. But by the time he approaches retirement, he will be earning something like Rs 7,000. Since most people acquire wives and children as they get older, it is convenient to earn more with age.

Unemployment amongst the educated is also not so dire. In the 21-25 age group, only 1.3 per cent of illiterates are unemployed. The unemployment rate for primary school graduates in that age group is 2.2 per cent. For secondary school graduates, it is 11.2 per cent; and for university graduates, 31.7 per cent. Almost a third of graduates are unemployed in their early years.

By the time they reach ages 45-50, however, the picture is completely changed. In that age group, unemployment is 0.3 per cent amongst illiterates, 0.4 per cent amongst primary school graduates, 1.3 per cent amongst secondary school graduates and 0.4 per cent amongst university graduates. By their forties, almost all find some job or other, whatever their education.

If there are jobs for graduates in their forties, why cannot graduates in their 20s take them? Of course they can; it is just that they do not. Instead, they wait around for a better job. The reason why more educated people have higher unemployment is that they can stay unemployed waiting for a good job; they have got parents or fathers-in-law to support them while they wait.

The converse is also true. Poor people take or keep their children out of school because they cannot afford to educate them; they need their children's earnings. And even if they could afford to educate their children, the returns on primary school education are not spectacular; against Rs 1,500 for an illiterate, a primary school graduate may get Rs 2,000. And the market for him is much smaller. Whereas an unskilled labourer can get work almost anywhere, a primary school graduate may be able to work in a shop or a godown; such jobs are not easy to come by everywhere. And he would get such a job only if he learnt something in primary school. According to the NGO, Pratham, 43 per cent of schoolchildren can read a story, 17 per cent can read a paragraph, 15 cent can read a word, 14 per cent can read a letter — and 11 per cent can read nothing at all. And 31 per cent can divide, 24 per cent can subtract, 27 per cent can recognise a number — and 19 per cent can do nothing. Government schools are so bad that for many children, going to school would be complete waste of time. That is why I am not impressed by Sarva Shiksha Abhiyan and such grandiose government schemes.

The author is Consultant Editor of Businessworld.
ashok.desai@gmail.com

COMMUNICATION SOLUTIONS

THAT EMPOWER YOU TO MAKE INFORMED DECISIONS.

AND ENHANCE EFFICIENCY.

Give your business the

Hi-Speed Information Advantage

• Managed Services • Data Services • Wireless Applications • Landline Services • Mobile Services

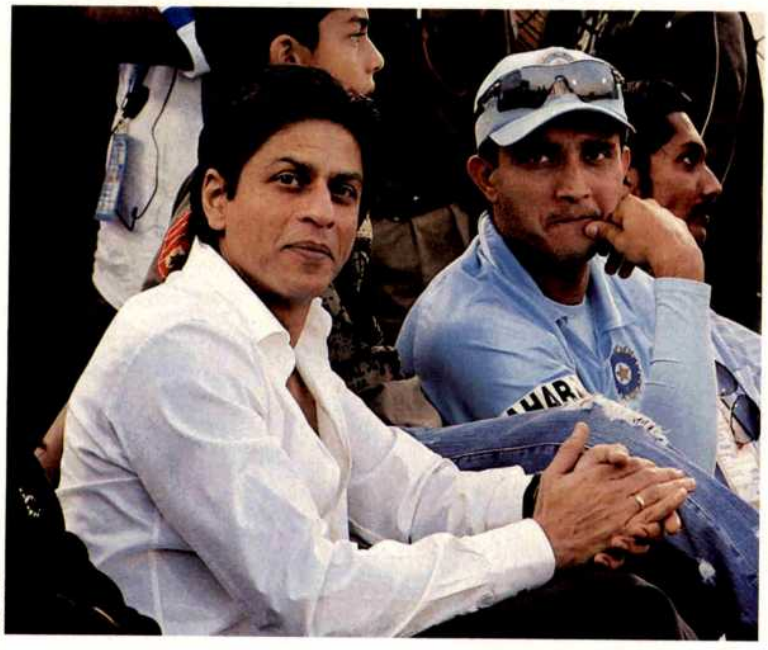
In today's changing markets, decision-making on your feet is the need of the hour and Tata Indicom's end-to-end communication solutions help you make informed decisions. With the superior CDMA technology (3G-ready), Tata Indicom provides corporates with excellent speeds for data transfer. Along with an unmatched range of telecom products & services. Furthermore, it comes with the support of the Tata Group and partnerships with Tata Consultancy Services, Tata Autocomp Systems Ltd. and MobileOne. So to make informed decisions always, make a smart one today.

Switch to Tata Indicom. And experience the difference.

TATA indicom

Enterprise Business Services

DRAFTFCB+ULKA 810104A



REUTERS

Advantage Shah Rukh

by Feroz Ahmed

With no brand of his own, Khan's IPL team is a cash cow

"I WISH I WAS SHAH RUKH KHAN IN THIS BUSINESS," quips Vijay Rekhi, president of United Spirits (USL), which bid $106 million to win the Bangalore team. Khan is the only one of the eight Indian Premier League (IPL) team owners without the encumbrance of in-house branding needs, and can turn his franchise into a money spinner. His company, Red Chillies, makes occasional films. Khan, along with actor Juhi Chawla and her spouse Jay Mehta, won the Kolkata franchise, bidding $75 million, and will considerably rely on outside sponsorships to recover his investment. In contrast, deep-pocketed companies such as Reliance, USL, GMR Holdings and Deccan Chronicle will use IPL as a brand building platform and enhance the revenues from their brands. Even actor Preity Zinta has Bombay Dyeing's Ness Wadia and Dabur's Mohit Burman as partners, and Manoj Badla of Emerging Media has Lachlan Murdoch of NewsCorp as his partner.

HOUSE ADS: Other team owners have their own brands to promote

According to IMG India's Managing Director Balu Nayar, team owners could do three things: one, build the IPL team as an enduring media property with sponsorship and licensing deals; two, make money from sponsorships and gate; and three, build the business for capital appreciation and exit. Khan could mix it all up. For example, he could brand the ground and stadium after his film production brand, and get sponsors for team name and shirts. Rekhi himself plans to name his team Bangalore Challengers, after USL's whisky and beer brand, Royal Challenge. "We have 15 millionaire brands and we may rotate them on shirts and grounds," he says.

Meanwhile, having bagged $1 billion from media rights and $723 million from eight team franchises, IPL's promoter, the Board of Control for Cricket in India, looks set to collect in excess of $50 million on 6 February when tournament title naming right will be granted to the highest bidder. There is strong interest in the tender for the title naming rights from Indian and multinational megacorps, especially from those who did not win a team franchise. The Anil Ambani group, whose bid fell short of the lowest $67 million bid for the teams, is expected to go all out to get the title. His elder brother, Mukesh's group bagged the most prestigious team franchise, Mumbai, bidding $111.9 million.

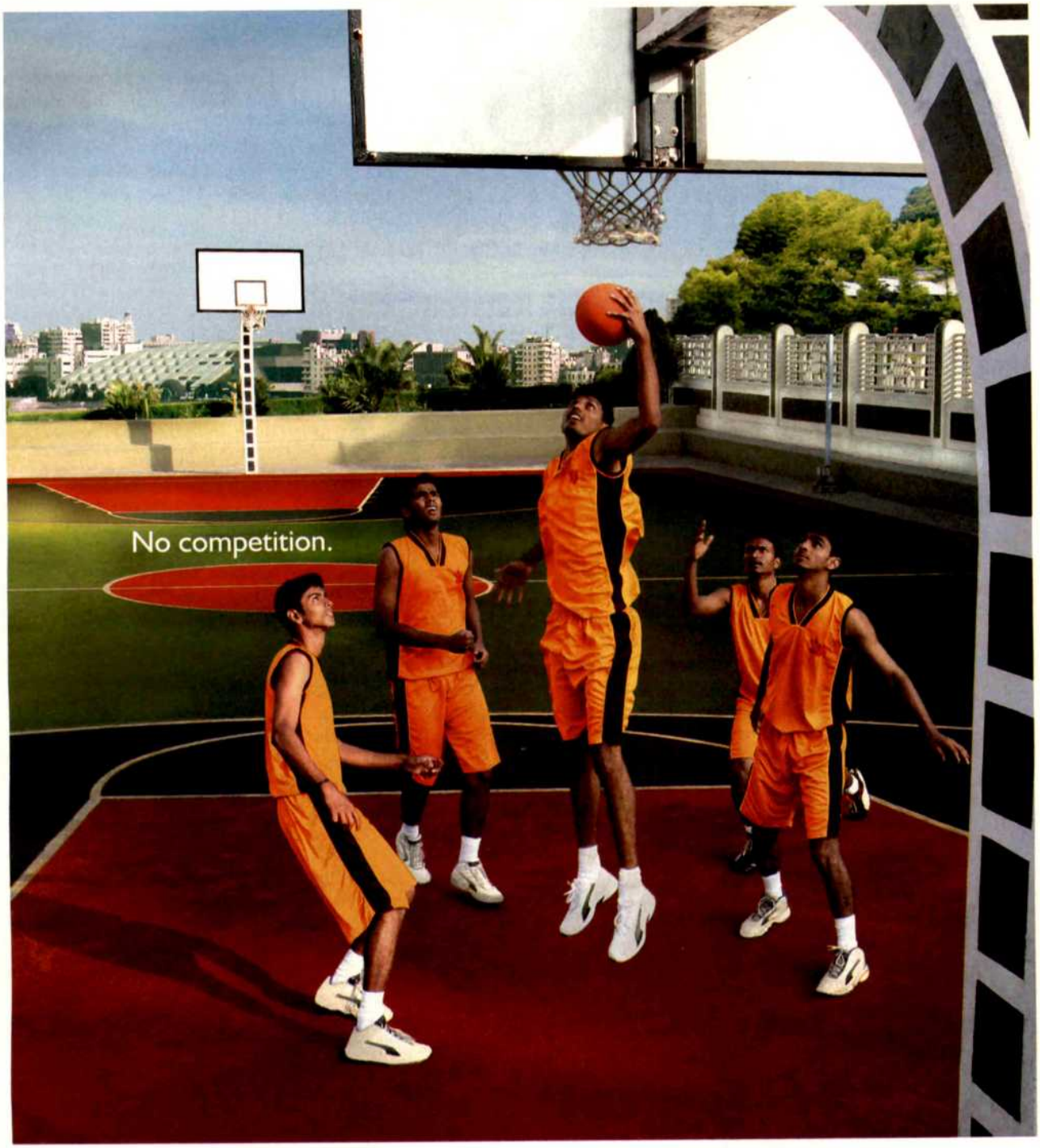
Kishore Biyani of Future Group and Subrata Roy of the Sahara Group too could try to compensate for their sloppiness in bidding for teams. Their bids were not considered because of a day's delay in depositing the paltry earnest money of $5 million.

However, multinationals looking to enter India or build their brands here are also likely to bid aggressively. Vodafone is one. There is also a buzz about some financial services and FMCG multinationals looking to ride IPL into the Indian market.

IPL's thunder is scaring rivals. England's media is worrying about English county cricket being reduced to a provincial activity if IPL money takes away international stars. IPL is scheduled for summer, which is also the English cricket season. The highest paid county cricketers get a salary of about $200,000 a season. In comparison, IPL wages will average about that much despite a cap of $20,000 on the salary of the four mandatory young players out of the total of 16 players in each team.

At home, former cricketer Kapil Dev, a top executive with the rival Indian Cricket League (ICL), fears that IPL could kill traditional cricket in India by sucking out all the money there is to support cricket. Nevertheless, IPL is turning into a monster tournament even before a ball has been bowled.

feroz.ahmed@abp.in



Malayala Manorama's circulation zooms to a massive 15,40,451 copies.
Now with an unassailable lead of 4,58,183 copies, Malayala Manorama continues to be Kerala's No. 1 daily. Unchallenged, as always.

TBWA\INDIA

Malayala Manorama
Nobody delivers Kerala better

Source: ABC Jan-Jun 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,40,451 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,73,042 printed at Bangalore - 22,406, Chennai - 10,158, Kozhikode - 1,18,966, Mumbai - 21,512, Kannur Edn - 1,03,730, Kochi Edn - 2,36,838, Kollam Edn - 1,30,565, Kottayam Edn - 3,66,688, *Pathanamthitta Edn - 19,491, Malappuram Edn - 92,156, New Delhi Edn - 13,628, Palakkad Edn - 96,623, Thrissur Edn - 1,50,456, Trivandrum Edn - 1,57,234. *Pathanamthitta edition started w.e.f 29th May 2007. Ave Net Paid Sales 1,04,544 copies for 33 publishing days.

Trading On The Edge

by K. Yatish Rajawat

Is Kerviel a criminal or a rule nudger in a hyper market?

IN TODAY'S HYPER-COMPETITIVE MARKETS, THE line that divides a rogue from a trader is thinning. Jerome Kerviel, a junior trader who burnt a $7.2-billion hole in the books of his employer Societe Generale or Soc Gen, crossed that line.

Kerviel, an arbitrageur working at the venerable French bank, joins the gallery of infamous traders who brought their employers down. In the mid-1990s Nick Leeson brought down the British banking institution Barings, and Yasuo Hamanaka racked up a loss of $2.6 billion through copper trades at Sumitomo Corporation at almost the same time. The big difference between Kerviel and Leeson or Hamanaka is the reverence the latter two commanded. Hamanaka was held in such awe by fellow traders that rumours of his entry into the trading ring would influence prices. Leeson too had his own brand of followers and admirers. Kerviel, however, did his trades so secretly that even his own bank or the clients, under whose name he traded illegally, did not know. Before he was caught, Kerviel's outstanding exposure to the market was $50 billion, more than the net worth of Soc Gen. Leeson and Hamanaka never had such a large exposure. Kerviel's trading strategy was very simple: he was betting against the market, using index derivatives on multiple stock exchanges.

BLOOMBERG

OVER-REACHER: Kerviel broke the internal rules to corner a hefty bonus

According to news reports, Kerviel did not trade for personal gains but was transferring all his gains to the bank. His lawyers have claimed that he booked gains worth $2 billion at the end of 31 December 2007.

His motives were also aspirational. He admitted that he broke the internal rules. "Yes I did, but all I wanted was a bonus," Kerviel told French prosecutors investigating the case. Kerviel had a salary of €110,000 and was expecting a bonus of €300,000 for 2007.

According to investigators, Kerviel's trading records showed that he started creating fictitious trades in late 2005 and took positions much beyond his authorised limits. As he was an arbitrageur, he claimed that his positions were hedged against counterparty contracts, which were forged by him. Kerviel's defence is that this was a routine practice in the bank and other traders were doing it. The frequency and size of his trades started rising in 2007. Authorities at Eurex, the stock exchange, raised questions about his trade in November 2007, but no action was taken by Soc Gen because his trading position netted a gain of $81 million for the bank.

The gains and the lax attitude seem to have emboldened him. His largest fictitious trades involving futures contracts on various European indices such as Eurostoxx-50, German DAX and FTSE index, were entered in early January 2008. These contracts were raised in the name of a bank's client, who raised the alarm and informed Kerviel's superior. As the markets were collapsing in Europe at that time, Soc Gen suddenly had outstanding contracts of $50 billion, and as the bank tried to unwind the contracts in a falling market, the notional loss turned real and cost $7.2 billion, the largest single loss by a trader in the history of markets.

While the bank charged Kerviel with fraud on 28 January, at the time of going to press, he was granted bail by the court, after being arrested and questioned for two days on the charges against him.

Kerviel might be charged with forging documents and will certainly lose his job. But is he a criminal or a rogue trying to bend the system? A tough test for the prosecutors.

yatish.rajawat@abp.in

TO SUPPORT INDIA'S FRONTLINE
YOU NEED TO UNDERSTAND INDIA'S BACKGROUND.
For over 60 years BAE Systems, the world's number one land systems company, has been in partnership with India, supporting them as a leading defence force. Whether it's Howitzers on land, Hawks in the air, Harriers at sea, or the technology behind them, BAE Systems has played a key role with India's armed forces. But it's not just about hardware. Partnership is about sharing technology, working with Indian industry and investing in training. And when you can deliver all of these capabilities, that's a real advantage.
BAE SYSTEMS

Quite A Handful

by M. Rajendran

OTHER VIEW: Pocket PCs clocked record sales of 100,000 units in just over 15 months

Step aside BlackBerry, Windows-based mobiles are here

TECHNOLOGY DEMOLISHES ICONS NEARLY AS quickly as it creates them. It is now time for BlackBerry, a huge hit since its 2004 India launch turned its many acolytes into mobile offices, to move over. The hottest selling handsets among PDAs (personal digital assistants) are now windows-based phones from HTC/Dopod, I-mate, Sony-Ericsson, Nokia and Samsung. HTC is already the world's largest maker of windows-based phones.

Powered by the Windows Mobile Operating System (WM OS), these pocket PCs achieved record sales of 100,000 units in just over 15 months of their launch in India, outselling BlackBerry. "This [the competition] is good for us, as the market leader," says BlackBerry maker Research In Motion's (RIM's) India spokesperson, Shantanu Chakraborthy.

"We priced our products competitively, and with WM OS, we have a sure-shot winner," says Ajay Sharma, country manager for HTC. HTC's PDAs cost between Rs 13,000 and Rs 28,000; BlackBerry is priced in the Rs 11,000-27,000 range.

PDAs can now be used without changing any software to receive and send e-mails within the enterprise network, and to other accounts such as Gmail or Hotmail, or even corporate accounts, provided the company links its intranet with the internet using the connection of an internet service provider. "On these fronts, HTC is ahead of BlackBerry," says the national president of the Indian Cellular Association, Pankaj Mohindroo. "For that matter, all PDAs on the Windows mobile platform would be ahead."

It was the functionality and manageability of their operating system that enabled RIM, proprietors of the BlackBerry brand, to take the early lead in mobile e-mail technology. However, with its reliance on the Windows Operating System, HTC is first among equals, at least for now.

"OS is a very critical part for performance of PDAs," says Lloyd Mathias, Motorola's director of marketing for India and south-west Asia. "But the e-mail client also helps enhance the service." The relationship with mobile service providers was crucial to the success of BlackBerry in India. Currently, Airtel, Vodafone, Reliance and BPL offer BlackBerry in India.

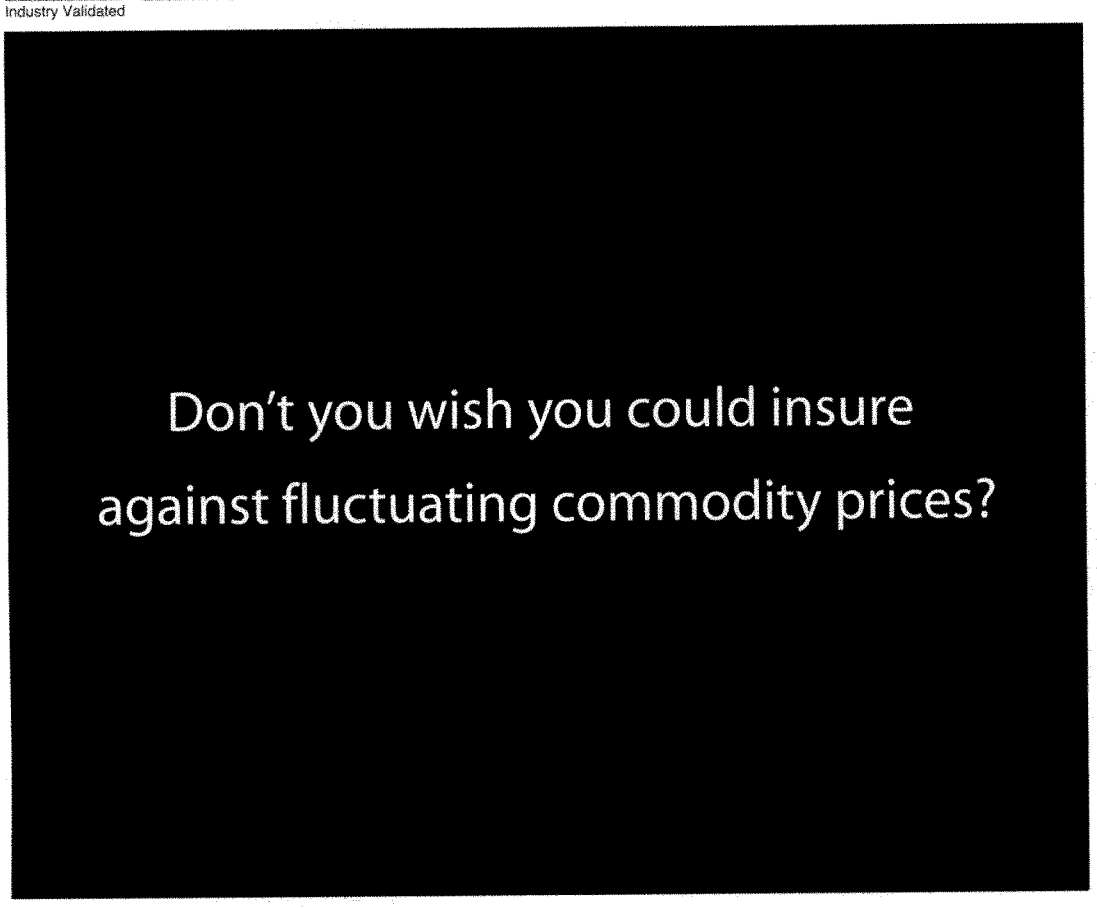
But PDAs, the most expensive among cellphones, also bag the dubious honour of having the most dissatisfied customers. The success of PDAs depends not only on how easily and widely their OSs can be adopted, but how successful they are in voice and data delivery. Super-loaded with technical what-have-yous, PDAs rarely manage to be 100 per cent reliable when it comes to delivering e-mails or connecting calls, their most sought after features, as most cellphone makers adopt the 'walled garden' technology, which secures an information system with a closed or exclusive set of services. For instance, BlackBerry's connection with your enterprise e-mail client is proprietary and goes through a loop. While roaming, if the operator's internet connectivity platform (such as the general packet radio service — GPRS) is not able to connect with the server at your corporate office, then your PDA is about as good as a phone without network coverage.

RIM says healthy competition in the domain helps create widespread awareness about the benefits of mobile data, and popularises it. "The mobile communications market is very large and has space for many handset manufacturers, provided they can design solutions to meet the needs of a discerning mobile population," says Chakraborthy.

mrajendran.bw@gmail.com

Selected Business Superbrand India 2008 Industry Validated

www.mcxindia.com



Your business needs an insurance against the one threat it constantly faces. The threat of fluctuating commodity prices. Commodity exchanges provide the opportunity to hedge against this price uncertainty by offering a transparent platform where buyers and sellers can lock-in a mutually acceptable price and protect themselves from unfavourable price movements. It's an assurance your business can't do without. At MCX, we are proud to provide it.

Hedge in the futures market on

MCX

India's No.1 Commodity Exchange

A Financial Technologies Group Company

Call 1800-22-9444 or 022-4003-6990 or sms MCX to 57333

MCX is India's No.1 commodity exchange. Source: FMC website (www.fmc.gov.in) based on turnover in terms of value for FY 07.
Disclaimer: MCX is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a public issue of its equity shares and to file a Draft Red Herring Prospectus with SEBI.

MCX 143 2416

A Grim Outlook

by Srikanth Srinivas

The IMF says that the roller-coaster ride isn't over yet

IT'S BAD NEWS FOR SOME EMERGING MARKETS. ON Tuesday, the International Monetary Fund released updates on both its flagship publications, the Global Financial Stability Report (GFSR) and the World Economic Outlook (WEO). The updates suggest that the global economic growth will be lower than anticipated in October 2007 (when both documents were released) and that the ripples from the US subprime mortgage market crisis — which let borrowers with negligible or no repayment capacity to borrow very cheaply to finance home ownership — are still spreading outwards.

The WEO first. Because of the turbulence in financial markets in Europe — including the UK — and the US, global growth will be lower by almost a percentage point from the estimate of October 2007, when the WEO was released. What is disturbing is that the WEO had already lowered estimates of global growth rates from the levels in July 2007, when global growth for all of 2007 was expected to be about 5 per cent. Now, growth for 2007, based on fourth quarter performance, has been put at 4.1 per cent. According to the WEO update, estimates of growth in the advanced country economies have been further reduced significantly: for the US from 2.6 per cent in 2007 to 0.8 per cent in 2008, and from 2.3 per cent in 2007 to 1.3 per cent in 2008. Even though emerging market growth — particularly in China and India — is likely to be robust, overall emerging market growth estimates have also been reduced by almost one percentage point, from 7.8 per cent in 2007 to 6.9 per cent in 2008.

Which is why the Managing Director of the IMF, Dominique Strauss Kahn, speaking at the World Economic Forum in Davos, Switzerland, said that a targeted fiscal policy boost may be appropriate now. "...medium term fiscal policy is all about saving for a rainy day," said Strauss-Kahn. "It is now raining." He acknowledged that there were risks in using fiscal policy; but, he said, doing nothing could result in "very bad outcomes".

While releasing the GFSR in October 2007, the IMF said that the adjustment process following the subprime market crisis would be 'protracted'. The update argues that much of the adjustment has taken place. Leverage has wound down as evidenced in the balance sheets of financial institutions. But Jaime Caruana, counsellor and director, monetary and capital markets department of the IMF, said that the process of adjustment is as yet incomplete; confidence has not been restored, and risks remain.

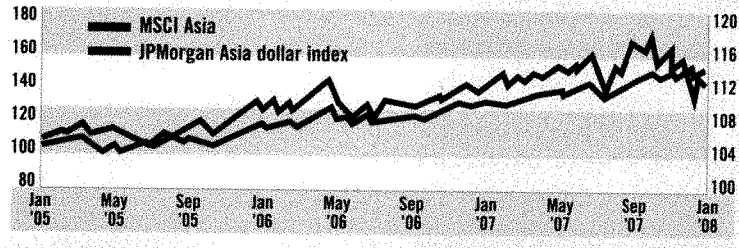
Credit deterioration in the US continues to increase, and there are dangers of spillovers into other markets. "Emerging markets have been resilient so far," said Caruana, "but recent falls in equity prices suggest that some emerging markets may not be able to avoid spillovers." And pressures on the balance sheets of institutions may have an impact on availability of credit. The good news is that many financial institutions have managed to raise capital — including from some sovereign wealth funds — and restore liquidity cushions. The immediate priority, said Caruana, should be to rebuild counterparty confidence and the financial soundness of institutions.

As always, the updates offer some policy recommendations; central banks may continue to have to provide liquidity support to inter-bank markets. And over the medium term, risk management practices will have to be closely scrutinised and improved. The roller-coaster ride is not over — yet.

srikanth.srinivas@abp.in

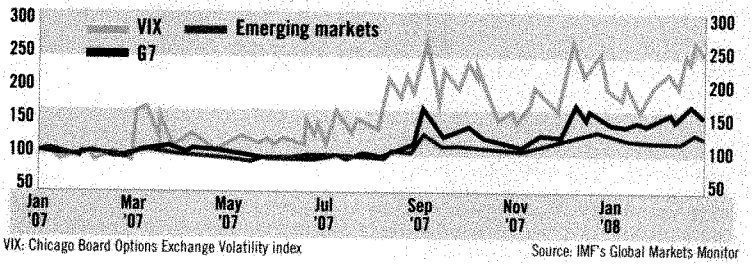
ASIA: REGIONAL EQUITY AND CURRENCY PERFORMANCE

Markets, except India, and currencies rose on US rate cut hopes.



IMPLIED VOLATILITY INDICES

A high degree of volatility persists in all markets in the world.

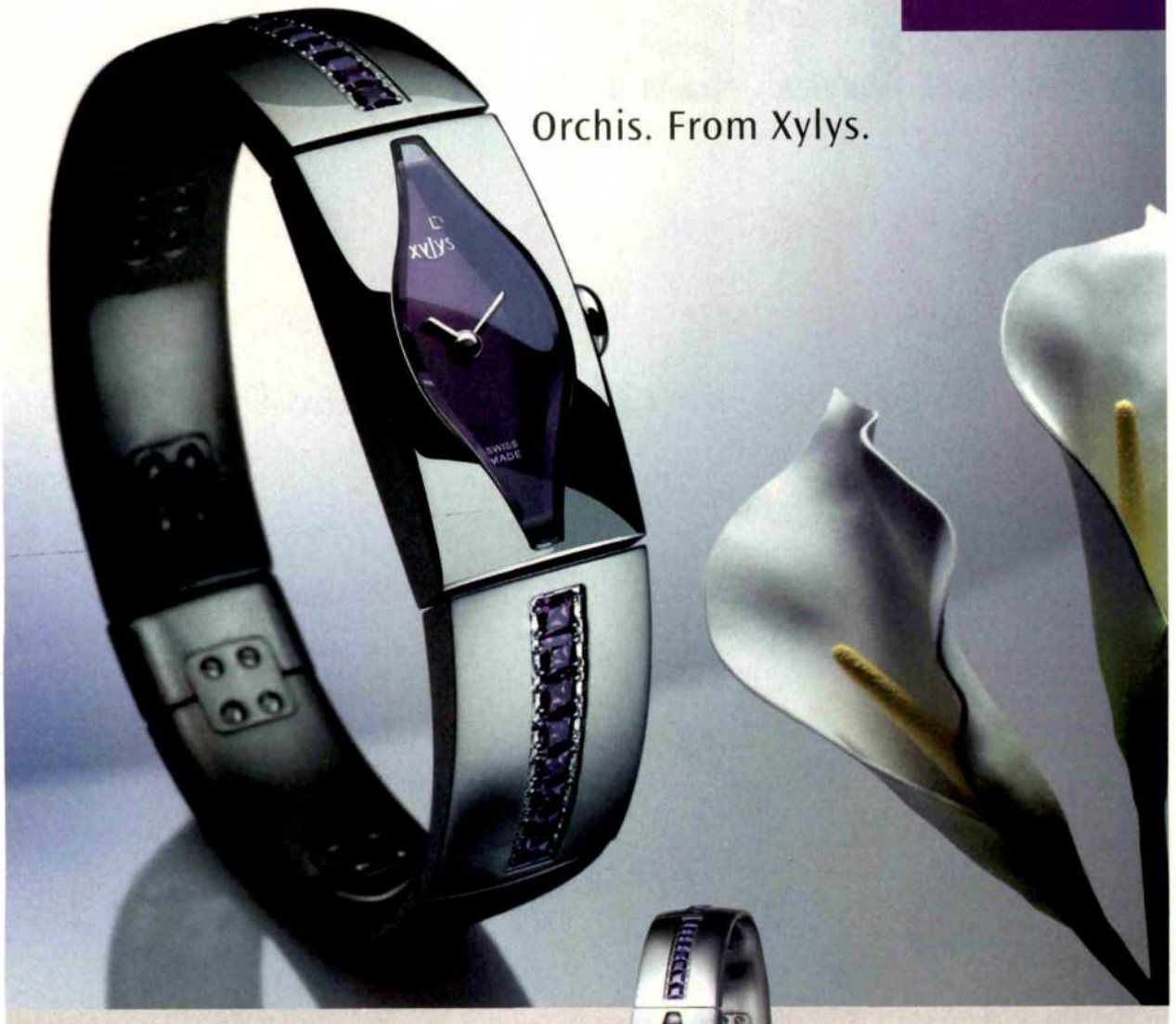


VIX: Chicago Board Options Exchange Volatility index

Source: IMF's Global Markets Monitor

xylys™
Swiss made

Orchis. From Xylys.



Crafted for Connoisseurs

- Amethyst mother-of-pearl dial
- Scratch resistant Sapphire crystal with anti-reflective coating
- Swiss movement: ETA 280.002
- No. of jewels: 5

BROUGHT TO YOU BY TITAN INDUSTRIES LIMITED

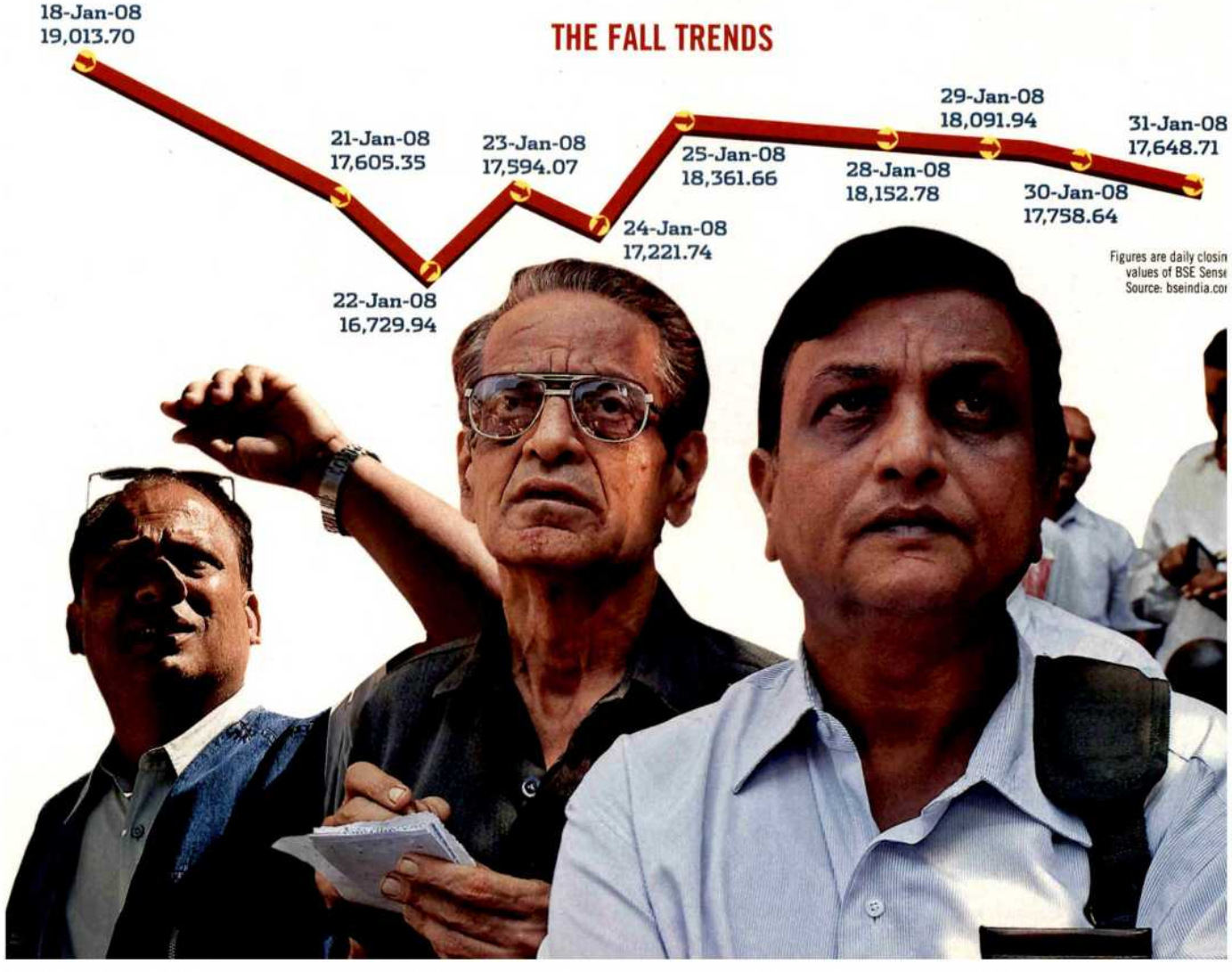
Available at: WORLD *of* TITAN and select Multi-brand outlets. Also available at: lifestyle | SHOPPER'S STOP | CENTRAL

For more information call: 022-26434010 / 022-66932816. Toll free no: 1800-22-4750

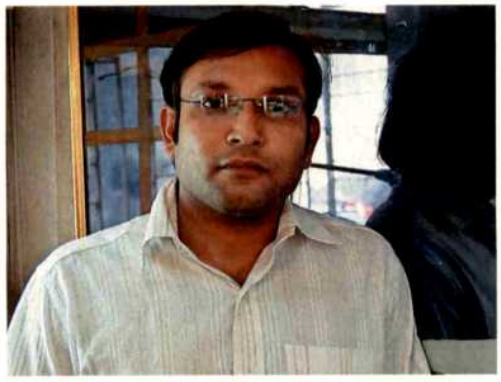
BATES DAVID ENTERPRISE/BLR/XYLYS/076

No Retreat, No Surrender

by Srikanth Srinivas with Rajesh Gajra and Puja Mehra



Deep correction notwithstanding, individual investors retain their faith in the stockmarket. Could it be misplaced?



KAUSHIK CHAKRAVORTY

PRUDENCE PAYS: Alpesh Shah, sales executive in a diamond export firm

"If you invest in fundamentally good companies, you will definitely get good returns."

PARTICIPATING IN THE RECENT stockmarket — at least since October 2007 —has been like having pizza. When it first arrived, it was too hot to touch. Then, it cooled down a little, and everyone got in a few good bites. But beginning late December, it got cold, rubbery and unappetising.

But that has not stopped Alpesh Shah, a 32-year-old sales executive with a diamond trading and export firm in Mumbai. He has been investing in the equity markets for the past four years, and deployed about Rs 5 lakh in the stockmarket. "I believe that if you invest in fundamentally good companies, you will definitely get good returns," says Shah. By his reckoning, he has done well in the past four years. But veteran brokers, who have been watching a new breed of investors enter the stockmarket in droves over the past few years, are less sanguine. "They have entered through initial public offerings (IPOs), or the secondary market, but they have never seen a bear run," says Motilal Oswal, chairman and managing director of Motilal Oswal Financial Services, a large retail brokerage firm based in Mumbai.

Everyone agrees that there has been a critical change in the behaviour of the individual investor or — as most people like to call him or her — the retail investor. It was not unusual in the past for the more savvy — usually market regulars — to exit quickly in a market downturn; but the individual investor was much slower. After all, he came in when the market was near its peak — if it hadn't already been crossed — and invariably stayed in, despite feelings of panic, hoping things would get better, which they often didn't.

But this time, things are different. Or are they? "From our experience, there is empirical evidence to suggest that the retail investor is generally bullish," says C.J. George, managing director of Geojit Financial, which is among the largest retail broking firms in the country. "Even in a bear market, the retail trader is more likely to start the day with a long position."

Redefining The Retail Investor

So who is this 'retail' investor anyway? Despite the generalised description, there is no homogeneity among them. First, there is the salaried employee, who looks at planning his future, and those of his children. He generally tends to

EXECUTIVE SUMMARY

- Markets are riskier than most people tend to believe and to much greater extent than they understand.
- As greed goes up, overconfidence sets in, and investors resort to leverage. A correction wakes them up.

WHO ARE THEY?
Despite the generalised description, there is no homogeneity among 'retail' investors.

take the long view, considers IPOs, mutual funds and unit-linked insurance schemes (ULIPs). In other words, these folks use the patient capital route to access the market.

Fifty-one-year-old M.L. Mukhi, a chartered accountant, has been a 'patient investor' for 15 years, and has "always made money on the market". His investment style is to only buy when he can afford it, and when he has spare savings. Yes, the crash hurt, but he considers the losses in his Rs 65-lakh portfolio to be purely notional. Last week, he put in another Rs 10 lakh into blue-chip stocks he says had fallen to "mouth-watering" prices.

Second, there is the day trader, who sometimes even leases a trading terminal from a brokerage firm and squares out his position at the end of the day. Anil Wadhwa, 49, is a wholesale importer of optical wear who has become a regular buyer and seller of stocks. His portfolio: Rs 75 lakh or so. But when he began four-five years ago, he preferred the mutual fund route; but the lure of the recent bull market proved too much to resist, and he began to pick stocks directly, even venturing into futures and options. Leveraging his positions in excess of his means, he was hammered by the recent crash. "My greed did me in," he says now, ruefully.

Wadhwa is not the only one who uses leverage. Many brokerage houses report that most of their clients who operate in the futures and options (F&O) market are highly leveraged. Sanjiv Rao, 31, a sub-broker with Kotak Securities, has about 450-500 clients, most of whom are leveraged five-six times for every Rs 1,000 they trade. Many of them couldn't come up with the necessary margins for their positions (between Rs 1-3 lakh in just one hour), forcing Rao to disallow credit to his other clients who had not defaulted. "This is killing the happiness of my other clients," laments Rao. About 70-80 per cent of his business of Rs 2-3 crore a day — of which only 10 per cent is in the futures market — suffers. "Ninety per cent of the people who trade in the F&O segment do not even understand derivatives," says Rao.

And then there are investors who do some of both: invest in a core portfolio, and allocate some resources for trading activity to take advantages of sudden opportunities. Sharmila Cirvante, a 30-something assistant general manager of graphic art and design at Unisource Group — a global procurement and solutions affiliate of Steven Barry's, a leading American retail garments brand — lets her broker make a few short-term bets. "And he has been good," she acknowledges. "Sure there have been times I have lost money, but on the whole, I have done OK." At the same time, she has not been reckless with her investment decisions, keeping her core

MAKING SENSE::
Sharmila Cirvante, Assistant GM, Unisource Group

"Sure there have been times I have lost money, but on the whole, I have done OK."

KAUSHIK CHAKRAVORTY

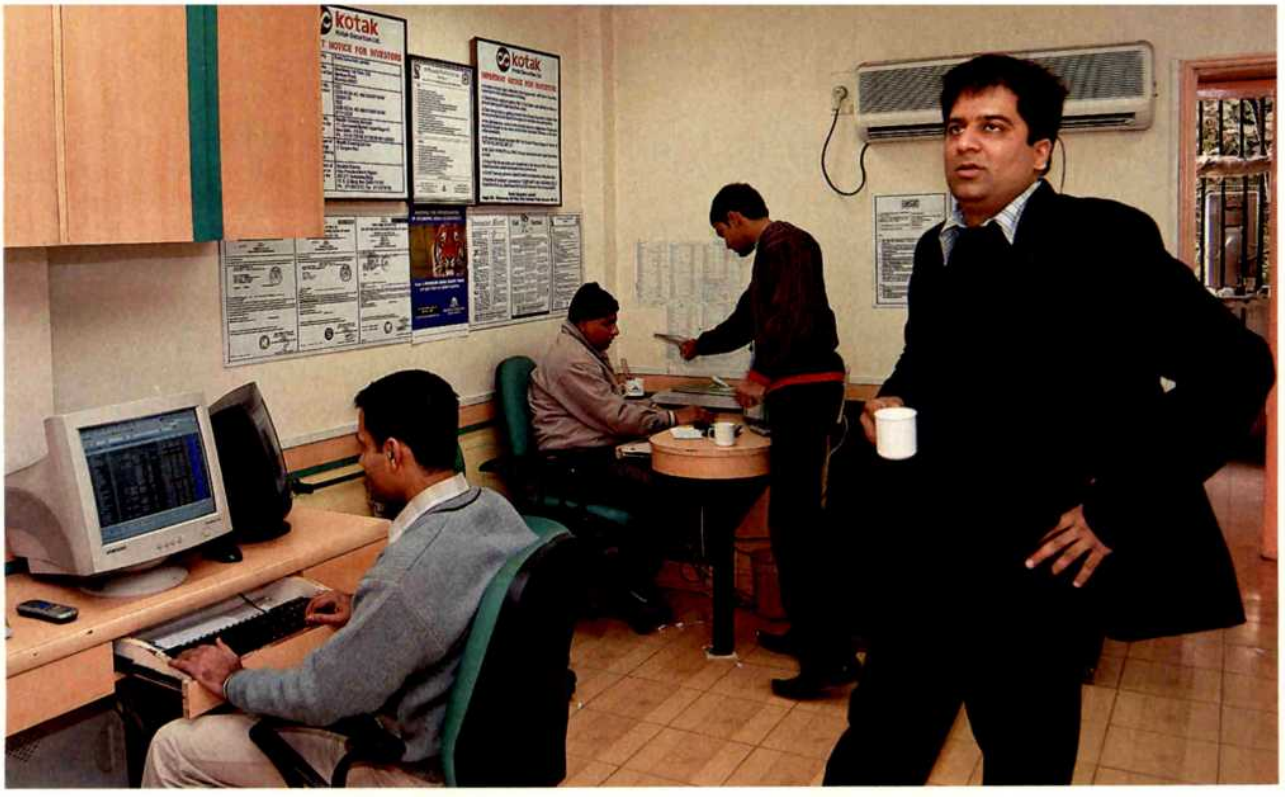
WHO OWNS HOW MUCH

Aggregate market capitalisation of 1,597 BSE-listed stocks (Rs crore, % of total)

1 FIIs, 477192, 15.1%
2 Insurance firms, 1,27,101, 4.0%
3 MFs, 1,15,869, 3.7%
4 Non-institutional corporates, 1,29,350, 4.1%
5 Individuals (holding above Rs 1 lakh of nominal capital), 60,485, 1.9%
6 Individuals (holding upto Rs 1 lakh of nominal capital), 2,40,931, 7.6%
7 Others, 3,99,445, 12.6%
8 Promoters, 16,11,003, 51.0%

1 FIIs, 870722, 15.5%
2 Insurance firms, 2,35,030, 4.2%
3 MFs, 2,19,606, 3.9%
4 Non-institutional corporates, 2,49,715, 4.4%
5 Individuals (holding above Rs 1 lakh of nominal capital), 1,00,108, 1.8%
6 Individuals (holding upto Rs 1 lakh of nominal capital), 4,19,817, 7.5%
7 Others, 4,30,002, 7.7%
8 Promoters, 30,95,099, 55.1%

Source: Capitaline Plus, *BW* research



LEVERAGED:
Sanjiv Rao, sub-broker, Kotak Securities

"90 per cent of the people who trade in the F&O segment do not even understand derivatives."

portfolio insulated from short-term vagaries, and ploughing back her profits from short-term bets into longer term buys.

And Now, The Bad News

The experiences elaborated on in the above discussion, however, represent the more positive investor mindset. A correction as deep as the one currently underway has caused a considerable amount of pain for a large number of investors. Talk to clients of the smaller brokerage firms, and you'll hear rumblings and suspicions of having been manipulated or short-changed.

The exhortation to stay in the market for the long term is an elegant slogan on which those who live by Dalal Street make their living. True, over the long term, the market has generally tended to reward patience. But it perpetuates the myth that the risks of the stockmarket generally even out over long periods. Markets are riskier than most people tend to believe and to much greater extent than they understand.

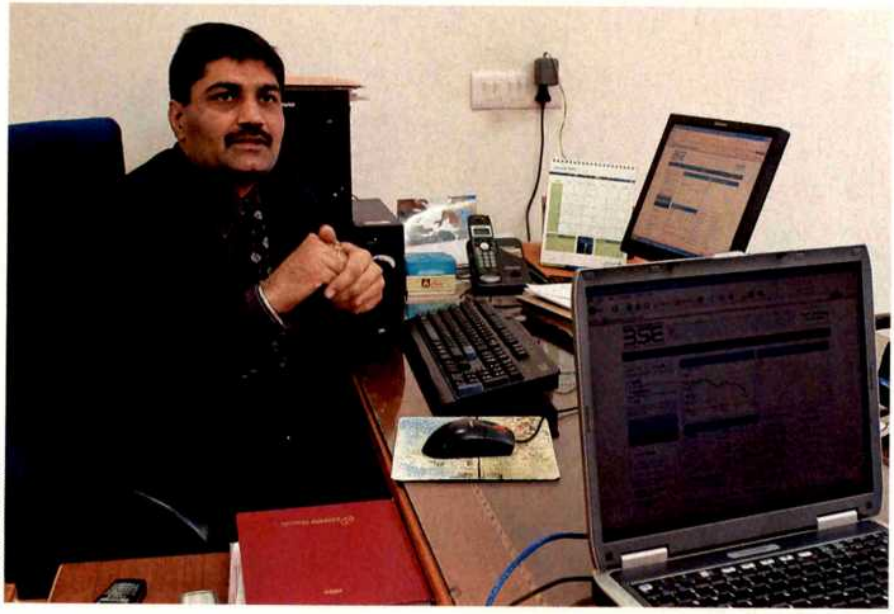
"In the 1980s, the market thrived on the false sense of comfort on the downside risk, and a false sense of promise on the upside," says K.N. Vaidyanathan, chief executive officer at Alchemy Capital Management, a portfolio management services firm that focuses purely on the equities market. "By its very nature, equity capital is risk capital, with the emphasis on the idea of risk."

There are those who will argue that today's retail investor is better educated about the risks of leverage, excessive trading rather than investing and the consequences of a significant correction on their net worth. But while the willingness to assume the risk may be substantial, the ability — in financial terms — to assume that risk is not commensurately high.

In a rising market, leveraged trades pay off handsomely; in the event of a big correction such as the recent one, the real level of investors' preparedness comes up short. Everyone remembers that one big bet that beat the market, but not the losses from many small trades that chipped away at the gains from the big one. As one broker who did not wish to be identified put it, "People's bragging about their trades is a substitute for their sexual performance: the truth is hidden behind bedroom doors."

Stockmarket returns over the past two years have had an important effect in the evolution of investor behaviour. "Over the past two years, one had to try really hard to lose money," says Aseem Dhru, CEO of HDFC Securities. Just last year, the Bombay Stock Exchange (BSE) Sensitive Index (Sensex) reported a 40 per cent gain, and it has moved in one direction for the previous three years as well. We have seen our customers take in returns between 20 to 80 per cent, depending on their risk appetite and individual stock selection."

But not all investors act and think alike. "The retail investor is not homogeneous," says Divyesh Shah, CEO of Indiabulls Securities. "The subscription response to IPOs and new fund offers of mutual funds demonstrates that retail investors have spread their investments into all forms of financial investments."



TRIBHUWAN SHARMA

THE RIGHT LEVEL:
Ashwani Wadhwa, stress management consultant

"Though I trade in the F&O segment, I do not indulge in excessive leverage."

Active Trading Is Hazardous To Wealth

Finance theory has it that over the long term the average stockmarket return has always been positive and better than benchmark assets like government securities or triple-A rated bonds. But individual investing is not exactly rational, and often at the mercy of rumour, hope and the tipster. As Benjamin Graham, the doyen of value investing, put it, "The investor's chief problem — and even his worst enemy — is likely to be himself." Just take a look at the transformation of the investor into trader.

"It is almost a universal truth that greed drives investors," says Prasanth Prabhakaran, senior vice-president at Kotak Securities, a Mumbai-based broking firm. When you see equities rising continuously for three or four years, the temptation is too much to resist. And as greed goes up, so does the appetite for risk. As the Sensex scales a new peak with increasing frequency, overconfidence sets in that the market cannot go down. So they resort to trading even more, using leverage to make bigger bets in the F&O market. It takes a large correction to get investors to reassess where they are headed.

For many like Alpesh Shah, the most recent one was a rude wake-up call. "Never in my mind did I think that I would be faced with a situation in which I'd see my stocks drop by by 5-10 per cent a day to hit the lower circuit for many days, not giving a chance to exit," he says. And there are studies that show retail investors who buy into market directly can pay a huge performance penalty for active trading.

A survey conducted by Brad Barber and Terrance Odean of the Graduate School of Business at the University of California in Davis found that of 66,465 households with accounts with a large broker during 1991 to 1996, those that traded most earned an annual return of 11.4 per cent, while the market as measured by the S&P 500 returned 17.9 per cent. The reason: overconfidence. It explains high trading levels and the resulting poor performance of individual investors. A similar study on households in Taiwan in the first half of this decade came up with similar results.

Is The System To Blame?

If investors feel that that the system is rigged against them, blame the many scams that plagued the markets in the 1990s that perpetuate the feeling. And all too often, the broker has been at the receiving end of investor ire. In this most recent instance when the market correction blew a hole in many investors' portfolios, the inability to be able to buy stocks at huge discounts added to that feeling. The stringent requirements that exchanges and the Securities and Exchange Board of India (Sebi) imposed on stockbroking firms protect the integrity of the system but cause problems for brokers.

"Additionally, in most developed markets, the trading platforms of exchanges work because of a global and diversified investor base," says Jayesh Mehta, managing director and head, equities and debt securities at DSP Merrill Lynch. "In India, there is a lack of such diversity, and the market is dominated by foreign institutional investors (FIIs), who account for 80 per cent of the free float, with another 15 per cent held by domestic financial institutions."

A big part of the problem is best perceived by looking at retail in other product categories. For buyers of food products, for instance, most transactions are driven by relationships with

PRIMARY-SECONDARY TWIRKS

Retail investors prefer IPOs but returns are better in secondary mrkt.

Secondary market	Aggregate market cap* of 1,597 BSE-listed stocks	Primary market	Aggregate market cap** of 89 IPOs in 2007
As of 29 Dec 2006	11,50,928	Based on the respective issue prices	33,695
As of 31 Dec 2007	20,94,998	Based on Jan-end 2008 traded prices	54,626
Rise in market cap	82%	Rise in market cap	62%

All figures in Rs crore; *of only the holdings of FIIs, DIIs, retail investors and non-promoter corporates, excludes promoters and others; **of only freshly issued shares to institutional, and retail investors and non-institutional HNIs & corporates Source: Capitaline Plus, NSE website, *BW* research

OUR ONLY WISH ON THE 70TH ANNIVERSARY IS TO REVERSE THIS KNOB

REDUCE GLOBAL WARMING

The threat of global warming is looming large. Thanks to unbridled chemical emissions, heat emissions and depleting green cover. On our 70th anniversary, we resolve to boost our CSR activities. Because, as a concerned global corporate, the world's well-being becomes our priority.

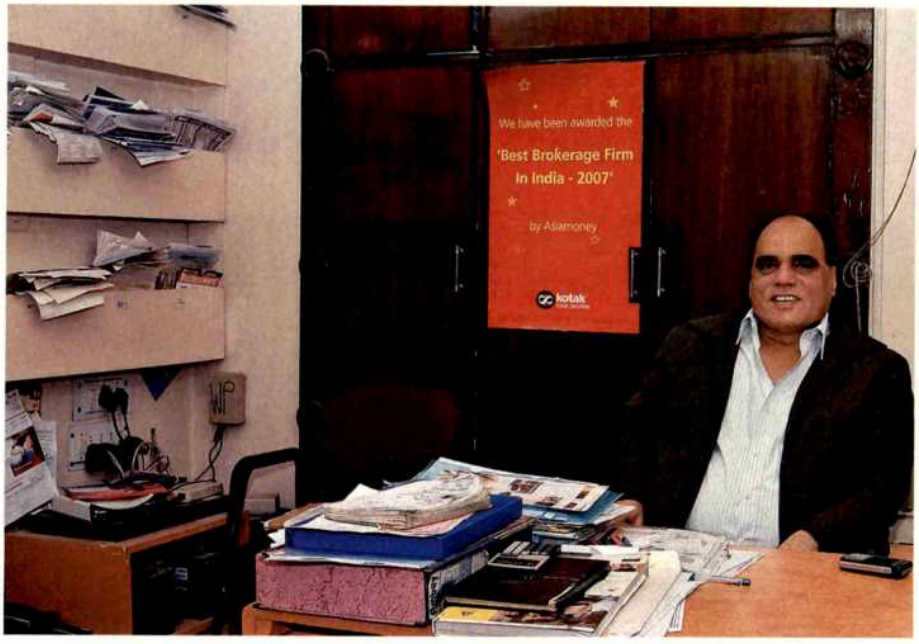
www.cglonline.com

70 YEARS
At home, across the world.

Empowering the cause

Crompton Greaves
EVERYDAY SOLUTIONS

AMCCG70/10-07/01



AMIT VERMA

WAIT AND WATCH:
M.L. Mukhi, chartered accountant

"I am a patient investor for 15 years, and have always made money on the market."

neighbourhood grocery stores. You can get a monthly line of credit, have your groceries delivered at home, even if at a slightly higher price. Organised retail, by contrast, is soulless: there is quality, but also the inconvenience of having to stand in line at the checkout counter. If you are short of cash, you will have to leave some items. The convenience of your kirana store is given the short shrift here.

All the recent innovations of the market have made it more professional, but investors still long for the personal touch. So they go with the small broker, who usually is a resident of the neighbourhood: in other words, a person like the investors themselves. He may give you more time to meet your commitments, unlike a large firm that wants to see the colour of your money before it executes a trade. Often, in a fast-moving market where the investor is seeking to make some money rather quickly, the opportunity may vanish before you find the cash.

Fixing The System

On the flip side, if you cannot meet your margin calls, the retail broker is forced to sell your position, and perhaps those of other clients because payment was not received in time, and he himself does not have the luxury of asking the exchange for time. All too often, brokers do not have the wherewithal to carry your positions.

While *BW* could not confirm this, there were reports that most retail brokers' terminals were switched off on the Wednesday following last Tuesday's crash because they could not meet the margin calls on the National Stock Exchange. Had the markets not looked up on Wednesday, there was the serious risk of a payments crisis that could have burnt even bigger holes in investors' portfolios. That could have caused fear, and perhaps a run on the market.

"Perhaps its time to think about having capital standards for brokers," says Rashesh Shah, chairman and chief executive officer of Edelweiss Capital, a financial services firm that also owns an institutional broking business. "Perhaps we could have a system of clearing members and trading members, who would go through clearing members for settling transactions." Edelweiss' Shah is talking about the system that prevails in developed markets like the US.

Strangely enough, given the size that the business has grown to, stockbroking has no self-regulatory organisation (SRO); many other segments of the market do. They help set standards, promote common good practices, and even serve as a lobbying unit for the broking industry. In the US, the National Association of Securities Dealers (NASD) is one such. For investors, such an SRO could ensure transparency, fairness, and better information flow.

But the hurdles to the creation of such an organisation are many. There is no incentive, for example, for FII broking firms, as they have no development objective. The large Indian broking firms have direct access to the political and bureaucratic powers that be. For the retail broker, it's too much trouble — he'd rather be trading and making money.

So until then, investors have to fend for themselves, be prudent and stay away from leverage. Which is what Ashwini Kumar Wadhwa, a 38-year-old stress management consultant does. He has seen it all, having been in the markets for 10 years. Though he trades in the F&O segment, he does not indulge in excessive leverage. He remains positive and confident despite having made large paper losses on his Rs 1.5-crore portfolio. He even believes that the Sensex would hit 25,000 before this year is out.

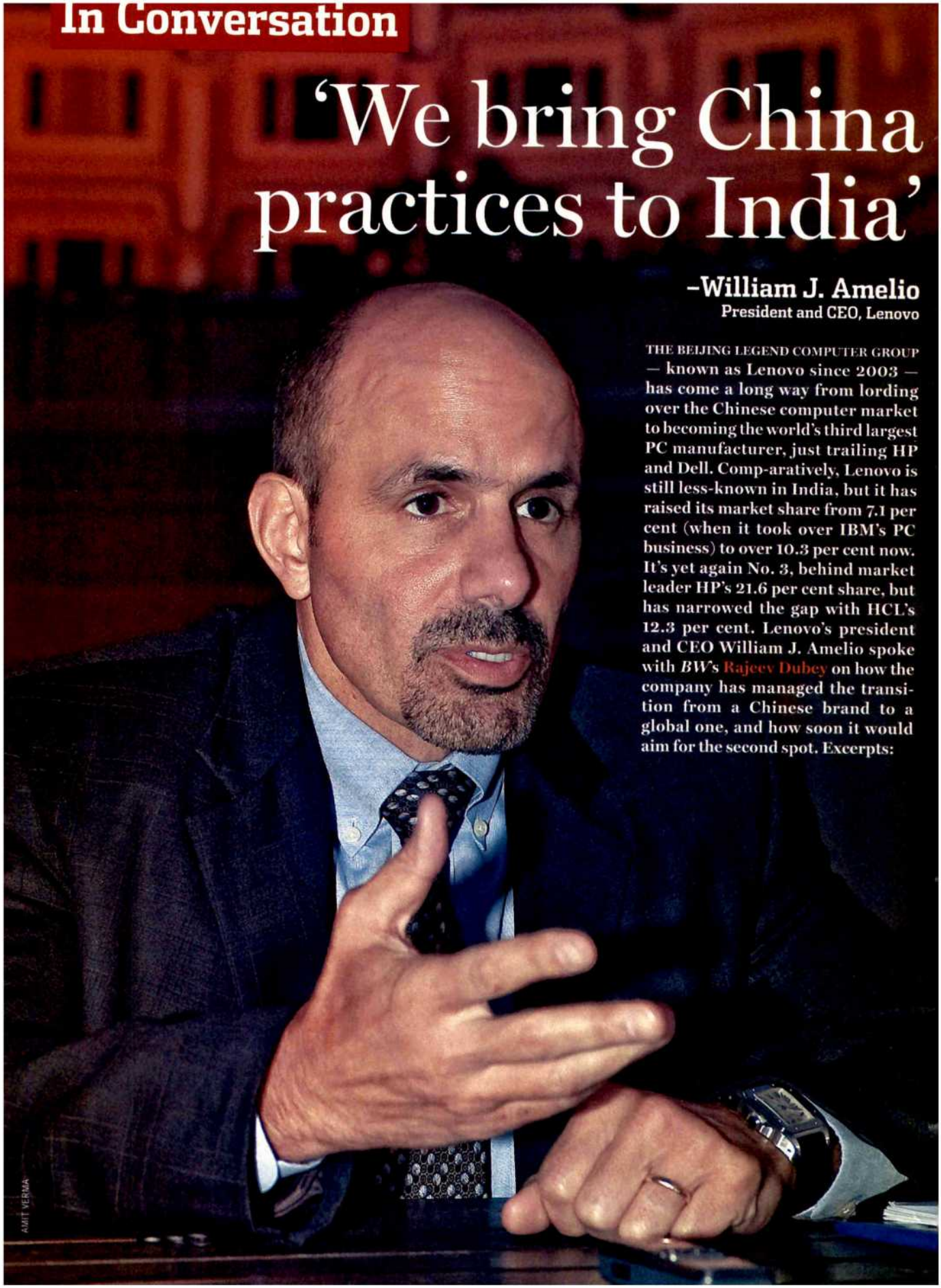
The stockmarket thrives on the likes of Ashwini Wadhwa. At US Pizza near the National Stock Exchange in the Bandra Kurla Complex, at Domino's and at Pizza Hut, the phones are ringing off the hook. Stockbroking firms are sending out for more pizza.

srikanth.srinivas@abp.in

Microsoft
Visual Studio
ANY DEVELOPER CAN LINK DATA,
BUT YOUR QUEST IS FOR RICHER APPS.
DEFY ALL CHALLENGES
Your challenge: create rich, dynamic PC or mobile apps. Defy it: deliver value, not just data with Visual Studio and Windows Vista. More tips and tools at microsoft.com/india/defyallchallenges
McCann/MSFT/36/08
© 2008 Microsoft Corporation. All rights reserved. Microsoft, Visual Studio, the Visual Studio logo, Windows Vista and "Your potential. Our passion." are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.
Your potential. Our passion.
Microsoft

'We bring China practices to India'

–William J. Amelio
President and CEO, Lenovo



THE BEIJING LEGEND COMPUTER GROUP — known as Lenovo since 2003 — has come a long way from lording over the Chinese computer market to becoming the world's third largest PC manufacturer, just trailing HP and Dell. Comp-aratively, Lenovo is still less-known in India, but it has raised its market share from 7.1 per cent (when it took over IBM's PC business) to over 10.3 per cent now. It's yet again No. 3, behind market leader HP's 21.6 per cent share, but has narrowed the gap with HCL's 12.3 per cent. Lenovo's president and CEO William J. Amelio spoke with *BW*'s Rajeev Dubey on how the company has managed the transition from a Chinese brand to a global one, and how soon it would aim for the second spot. Excerpts:

AMIT VERMA

Q: How has the integration with IBM gone through?

A: It has been two years since the integration and by all major parameters we have done well. The first year was important for us to demonstrate that we were a good steward of the Thinkpad brand. We were able to demonstrate that to our customers by releasing as many as 20 new products and to our users that we make Thinkpad better. We did that by working towards making it reliable, more rugged, and by improving the reliability of the Thinkcentre and Thinkpad by 10 per cent. Since then, according to third-party estimates, we are 20:30 per cent better when compared with other brands of notebooks and desktops.

What else we consider important is looking at customer retention rates. In the first year, we were able to retain almost 95 per cent of our customers. In the second year, we acquired many more new customers and have gained share in the past couple of quarters. So I think we have made great progress. From the point of sales and cost synergy, we have been able to improve our supply chain, bring down costs and drive sales (growth straight) to our bottom lines. This has helped us be profitable, outside China, over the past several quarters. So we have got momentum now and are continuing to see the benefits of that.

Q: Is the brand transition complete now? Is IBM out of the brand?

A: IBM is almost completely out. Essentially, on Thinkpads it's 99 per cent Lenovo today. We made that transition two years early, specifically because customers said that they trusted us but didn't understand why a Lenovo man sells the product and it gets delivered with a different logo on it. They were happy to have just one logo on it.

It is important from the standpoint of one name, one culture, one system and a single logo, that is, Lenovo. The only product where we still have the IBM brand is the Thinkcentre and that will be phased out as we bring in new products.

Q: How difficult was it to transition the brand in western countries? Lenovo is a Chinese brand and a Chinese brand intuitively implies low quality, and has a low-value reputation.

A: What we demonstrated with the Think brands is that we are a great steward of this brand that quickly got customised, at least in the SMBs (small and medium businesses).

Q: So you started out penetrating the bottom of the pyramid?

A: No, we started out with the large enterprise. Over the past two years we have converted the Think brand to the Lenovo Thinkpad brand and that we could do because we gained the trust of our consumers. In the consumer space, it is all about having compelling product designs and features to keep people turning their heads. The commercials that played on features of the product were the ones most effective at getting customers to our stores because they made the connection that this is a cool company.

Q: How do you view the Indian market for Lenovo right now? Has the growth here been to Lenovo's satisfaction? Lenovo is certainly seen a lot more but I'm not sure if it is selling a lot more.

A: Going by statistics (by IDC), we have been growing at two to two-and-a-half times the market over the past several quarters. I think what is important to note is that India is an important market — from the standpoint of what we have learnt from China and how quickly we can apply it to another emerging market such as India. We have been able to take the best practices out of China, explore them in India and then take them to other markets around the world.

What we call the transaction model worked very well for us; in this, we take the SMB model that we used in China and replicate it in India. This has helped expand our growth considerably over the past several quarters.

We would always like to do more, but, given where we stand today, we are pretty confident about the success that we have had in India.

You see the ads. We have used certain features to get customers very excited about our product. The face recognition password commercial, I think is the perfect example of some of the excitement associated with our product.

Q: How is the China model different from what you notice anywhere else?

A: We actually took the exact copy from China and brought it into other countries, along with getting the right organisation in place, getting the right talent in place, making sure we had tier-II partners listed, becoming little product evangelists, and making sure we cut the inventory levels down between us and our channel partners as much as possible. And to build a community in that relationship, we behave like one company.

Fast Facts

Established
1984, originally known as Legend

CEO
William J. Amelio

Headquarters
Beijing, China

Revenues
$13.3 billion

Employees
19,000

Business
The world's fourth largest PC maker, and the largest in China. It bought IBM's PC business in 2005 for $1.27 billion.

Key products
PCs, servers, imaging equipment, mobile phones, IT services

Q: In terms of supply chain, have you followed the Dell model in any manner or has it largely been distribution driven?

A: Most of our business is based on (distribution) channel but we have also always had some direct business in the company. I think it's important to be a hybrid company since it allows us to cater to different needs. Whatever the way customers want to buy, we are available. But we are clearly big partners to our channel companies. We respect the supply chain and have worked very hard to improve our cycle time, reduce defects and take down costs. One of our big issues has been improving our supply chain and there is plenty of room to get more cost-efficient.

Q: What are your current volumes in the Indian plants and what is your current market share?

A: We have two plants in India, one in Pondicherry and the other at Baddi with a total capacity of up to 5 million units for both laptops and desktops, and a market share of 10 per cent.

Q: We have seen Lenovo tie up with news channels and films. What other route do you see for yourself? How else will you innovate in the marketplace?

A: Using celebrities for brand endorsement has been very useful to us, and so have sponsorships — of cricket, for example. We think it is necessary to get our name constantly in front of our consumers. We have been able to get our brand awareness up to a high 70s-low 80s, compared with where we were a couple of years ago. So, product placements or advertisements with people who are known and loved in India is, I think, important to us.

Q: What is your experience about the price sensitivity of the desktop segment in India?

A: If I look at anywhere in the world, the prices are seriously competitive, and on an average the prices are dropping everywhere in the world. Similarly, the trend in the Indian market is downwards. Thinkpads have held up reasonably well but the price still continues to come down. We constantly work towards getting as much value and features in it for the customer, all at an affordable price.

Q: In your experience, does in-house manufacturing work better than outsourcing, such as, say, Dell and HP have done?

A: The issue is that of complexities. We realised that it is very difficult to manage with the partner as we had a buy-sell relationship associated with high-end parts management and it became very cumbersome for us to ensure that we got a year's supply. That's one of the key inertias we have in the system — inherited from IBM — where we have to change the entire system but we are probably a third of the way there. We have aggressive rollouts all through the next year till we completely convert the company from a system that was managed by IBM to a standalone Lenovo system.

A majority of it (manufacturing and assembling) we are handling ourselves and are bringing in more in-house. We've announced some factories in Mexico, the US and Poland, for example. We are also expanding our current capacities such as the one here in India. That's a demonstration of depending more on ourselves. But we also use ODMs (original design manufacturers) to do some of the products we do not design ourselves.

Q: Does your website allow customisation of products?

A: Only in one market today, the US. As we roll out our strategic system, we will be able to have customisation capabilities across the world.

Q: What is the next step for Lenovo India on the value curve?

A: As I mentioned, we have already implemented the transaction model. We will also focus on service areas, a virtually untapped segment for us, but close to the box and not extending too far away, so that we stay close to our core strength. Our services business, for example, is growing year-on-year at 65 per cent in bookings, and delivers a lot of profit to the business. Software peripherals is another area that can add high value to our business. We have launched workstations and have received great reviews for the same; though there is not much volume, it's a profitable market, nonetheless. Also, in the near future, we plan to expand our server capabilities outside of China.

Q: Like Apple, as a company, are you working on anything other than computers?

A: I think we have a lot to work on. Workstations and servers will surely keep us busy for a good long time.

rajeevdubey@abp.in

Green WINDOWS

DSCL
DCM SHRIRAM CONSOLIDATED LTD

How to replace walls with windows

WINDOWS DO WONDERS

Windows that rise from the floor to the ceiling, like a giant wall of glass, can make a huge difference to a room. For precisely this reason, Fenesta presents special window systems those transform the look of your home. These systems are steel reinforced and can be fitted with a Hurricane Bar to withstand high velocity winds in a high-rise building. They can also accommodate a Monsoon Stopper that prevents strong torrential rain from trickling in. Not just that. Their insulation properties reduce air-conditioning costs and prevent noise from invading your home.

Alter the character of living spaces. Fenesta presents the world of window options, designs and sizes that can be customized to suit architectural preferences and budgets. A slider door that rises from floor to ceiling or spans the entire width of a balcony can change the character of your living room. A Tilt & Turn, a Bay or a seamless combination of Casement and Slider can add a unique architectural flourish to your bedroom.

Made for India. Made in India. Every inch of the Fenesta window is precision-made and designed to combat the harsh weather conditions of India like high temperatures, torrential rain, strong winds and noise pollution. Each window is weatherproof, termite resistant and fire retardant.

'How to select a window': If you're building a new house, renovating your apartment or carrying out home improvements, send Fenesta an urgent e-mail or call at the numbers given below. Our team will be in touch with you to show how windows do wonders.

Head Office - Fenesta Building Systems, Ground Floor, Plot No. 52, Sector - 32, Gurgaon, Haryana. Ph.: (0124) 4513701 - 02
Branch Offices - Bangalore: (080) 41231552 - 53 • Chennai: (044) 65332060, 28203090 • Mumbai: (022) 67021885, 67021886 • Hyderabad: (08418) 233967 • Pune: (020) 26680342 - 43 • Chandigarh: (0) 9915512099 • Coimbatore: (0422) 2575355 • Cochin: (0484) 2535461, 9895195461 • Kolkata: (0) 9903870385, 9831447863, 9903019306 • Ahmedabad: (0) 9898006300
www.fenesta.com Email:response@fenesta.com

Fenesta
UPVC WINDOW AND DOOR SYSTEMS
Keep the world out.

twohmpe/fenesta/768

A War On Inflation

by Srikanth Srinivas

The RBI's credit policy review was focused on inflation

ON 30 SEPTEMBER 1979, JUST BEFORE THE START of the World Bank/IMF Annual Meetings in Belgrade in the former Yugoslavia, financial leaders from around the world gathered to hear then US Federal Reserve Chairman Arthur Burns deliver a speech that distilled lessons learned from a lifetime in policy-making. His topic: inexorably accelerating inflation.

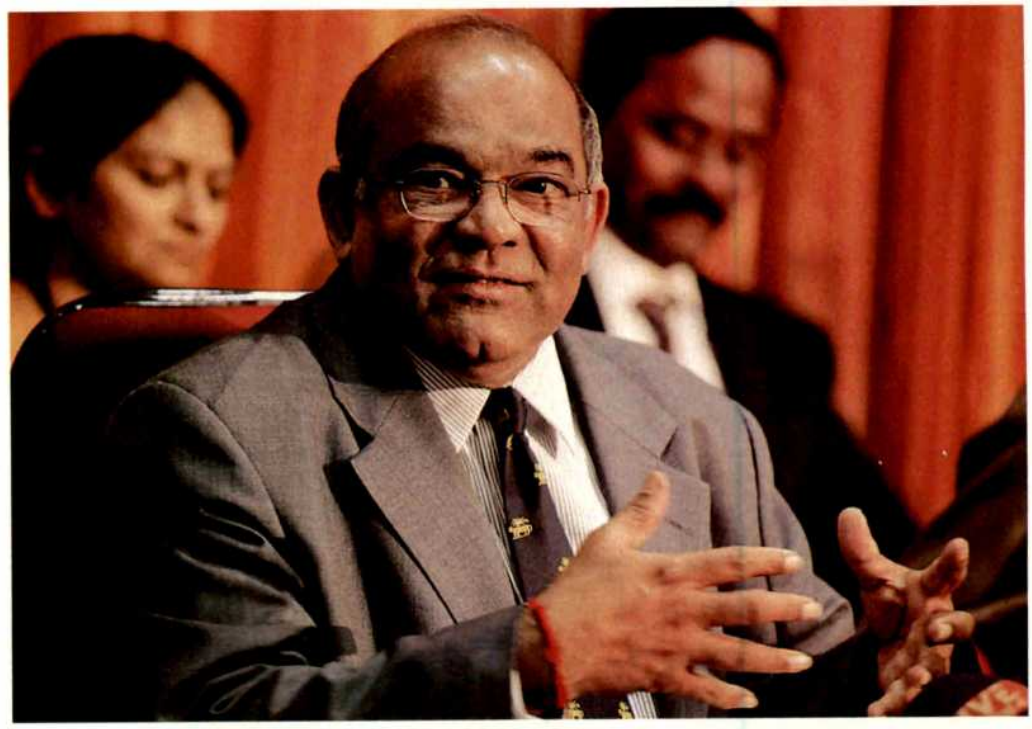
It was a time of chaos. The dollar had suffered its worst battering in history. Investors were running into gold, real estate, art, even race horses and wine. Countries such as Saudi Arabia and Kuwait told then US President Jimmy Carter that unless the dollar stabilised, they would raise oil prices, and diversify reserves out of that currency. In March that year, the Europeans had announced the formation of the European Monetary System, the precursor to the European Monetary Union (now the euro) to create "an island of stability" for Europe against the effects of a rapidly falling dollar.

Fast forward to 2007-08, and the picture looks surprisingly familiar. Global inflation once again threatens growth prospects of much of the world; in Europe, Australia, New Zealand, and now India, inflation has become the enemy. Finance Minister P. Chidambaram himself pointed out at the World Economic Forum in Davos last week that he would be happy to settle for half a percentage point less in GDP growth, rather than let inflation rear its ugly head In India.

Reserve Bank of India (RBI) Governor Y.V. Reddy underlined that sentiment at his press conference on the Q3 review of the monetary policy for 2007-08 on 29 January. "Yes, he was hawkish on inflation, but that may not have been unwarranted," says Indranil Pan, chief economist at Kotak Mahindra Bank.

Yes, currently inflation is within the central bank's comfort zone, but it is inflationary expectations that Reddy is worried about. He focused on that, saying that the RBI's policy stance would be "to monitor the evolving heightened global risks due to global inflationary pressures, food prices and the injection of huge liquidity into the financial markets".

His worries are not misplaced.Oil and food prices have been rising globally. The same is true for India, even if price increases are not passed through. "As our economy grows, consumption demand increases, and food prices increase as a consequence, and have," says Manika Premsingh, economist at Edelweiss



A FIRM STANCE: Prudence has been the hallmark of Y.V. Reddy's policy

Capital, a financial services firm in Mumbai.

Oil imports have risen by about 30 per cent in price terms, but the retail prices of kerosene, petrol, diesel and liquefied petroleum gas have not been raised in almost two years. But it may be beginning to affect corporate profitability. The earnings report from Hindustan Petroleum shows the first signs of forthcoming trouble: the refining company showed a third quarter loss — a small one, but a loss nevertheless — despite higher refining margins and higher sales of its products. The government's policy of issuing oil bonds to postpone the problem of keeping fuel prices low has not helped the company.

Then there is the problem of capital inflows. Foreign exchange reserves were up about $86 billion for the year 2007-08 through 18 January 2008, coming mainly from net portfolio flows, foreign direct investment, external commercial borrowings and remittances. Even after sterilisation, money supply growth was more than 22 per cent — way outside the RBI's target of around 17 per cent.

Financial markets were a little disappointed. They were hoping that Reddy would take US Fed Chairman Ben Bernanke's lead and cut interest rates. But Reddy was clear that the Indian situation did not warrant it. As critics of the Fed's actions pointed out, the job of a central bank is to preserve price stability, not provide liquidity support for equity markets through cuts in policy interest rates.

Even if the Fed has backed itself into a corner with the US markets expecting another large cut on Wednesday, Reddy has chosen the path of prudence. But he has left himself room for manoeuvre, suggesting that the RBI will not hesitate to cut rates if the situation calls for it before the next policy review.

The policy also made special mention of employment in labour-intensive industries, presumably export-oriented businesses such as textiles and garments. Reddy suggested that bank lending to these sectors should be made a priority. What makes it unusual is that the RBI has usually not focused on employment as part of its monetary policy stance in recent years. Presumably, the appreciation of the rupee vis-à-vis the dollar and the consequent impact on export-oriented industries prompted the central bank to include it as part of this policy review.

In his Belgrade speech, Burns pointed out that the central banker's independence to fight inflation notwithstanding, in practice there were strong political constraints against raising interest rates. The title of that speech? The Anguish of Central Banking.

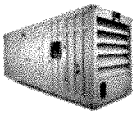
srikanth.srinivas@abp.in

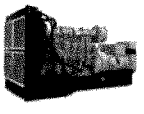
DO YOU HAVE THE POWER TO EXPAND YOUR HORIZONS?

As your company scales up its operations to global markets, the dependence on reliable power back-up with maximum uptime becomes crucial. And that's when you need Caterpillar, a world leader in power gensets. For power solutions that deliver category leading fuel efficiency. To ensure that your growth strategy is backed by power – when you need it most.

• Wide range of oil and gas fired gensets

Power. When you need it most.





CONTACT YOUR LOCAL CAT® DEALER OR VISIT WWW.CAT.COM

GMMCO Limited
6, G.S.T. Road, St. Thomas Mount, Chennai – 600 016. India
Tel: (91-44) 30686000
N. V. Ramalingam +91 98407 03429 nvramalingam@gmmcoindia.com
For your requirements in South and West regions call Toll Free 1-800-4252546

TIL Limited
1, Taratolla Road, Garden Reach, Kolkata – 700 024. India
Tel: (91-33) 2469 3732-36
A. H. Kewalramani +91 98104 94811 ahk@tilindia.com
For your requirements in North and East regions call Toll Free 1-800-3453355

24/7 Support

CAT, CATERPILLAR, their respective logos and "Caterpillar Yellow," as well as corporate and product identity used herein, are trademarks of Caterpillar and may not be used without permission. © 2007 Caterpillar. All Rights Reserved.

CATERPILLAR®
TODAY'S WORK. TOMORROW'S WORLD.™

Decoupling Demystified

by nayan chanda

REALITY ALWAYS TRUMPS THEORY. WE SAW THIS when aftershocks from the American stockmarket tremors put to rest the theory of 'decoupling', which held that the rise of China and India has created an Asian sphere independent of global demand trends. Asia's high growth rates and growing intra-regional trade, the theory postulated, would help it ride out any downturn in the debt-ridden US economy. It worked well, until the fear of US recession hit home.

The US's stockmarket woes put paid to the theory that Asian economies would not be influenced by global events

The stockmarket jitters from Tokyo to Shanghai to Mumbai and traders' growing anxiety about the impact of a looming US recession now show Asian growth as very much linked, in fact dependent upon, the rest of the world. Seen from the perspective of long history, the turmoil emerging out of the slowing American economy and the recent subprime mortgage crisis was only to be expected. A closer look at the ever-tightening global economic integration, and the nature and composition of Asian trade as well as its investment pattern, would have demonstrated the fallacy of 'decoupling' Asian and western economies.

At every phase of history, the export-driven prosperity of countries — whether the Gupta and Mughal India or Tang or Qing China — suffered when their major customers faced a setback. The fall of the luxury-loving Roman Empire or trade championing Mongol Empire affected all the countries that prospered from commerce. Those global impacts of foreign trade — minuscule in volume — touched very few and were felt over a long period. Now, not only does trade comprise an increasingly greater proportion of Asia's gross domestic product, goods move faster in giant container ships and aircraft, and capital moves at the speed of light across fibre optic networks. To think that such a hyper-connected and trade-dependent world could be decoupled was always wishful thinking.

The world's first near-simultaneous stockmarket tumble occurred in October 1987, after the deregulation of capital markets and electronic banking set the stage for a global domino effect. In the past two decades, this electronic nerve system has grown. In a world girdled by Bloomberg, Reuters, CNN and CNBC, the only barrier to the simultaneous rise and fall of global equity prices is the sunset that shutters the exchanges for the day.

A key assumption underpinning the decoupling theory collapses under scrutiny. Declining US trade with other parts of Asia (excluding Japan) — Taiwan, Hong Kong, South Korea and South-east Asia — and the corresponding rise of its trade with China was supposed to prove the emergence of an autonomous zone. China recently surpassed the US as Japan's biggest export destination, which many see as further proof of this decoupling process. Yet, booming trade with China was and is linked to its emergence as the world's factory. Instead of exporting assembled goods to the US and Europe, Asian countries are now exporting components to China for assembly and export to the same destinations. The same is true of raw material and commodities imports that feed China's own export machine. While US trade with other Asian countries has declined, Chinese exports to the US have risen to one fifth of its total. More than 70 per cent of intra-Asian trade comprises components of which half are bound for export outside the region. The Asian Development Bank calculated that about 61 per cent of total Asian exports are eventually consumed in the US, Japan and Europe.

Even foreign direct investment (FDI) flows to Asia are geared more towards companies, often foreign affiliates, engaged in export to the wider world. Although domestic growth in China and India has been strong, FDI and portfolio investment have nonetheless favoured firms with rich export markets. Even intra-Asian investments have flowed to companies that are part of global production networks. Any number of products appearing in western shopping malls with 'Made in China' labels — from DVD players to electric toothbrushes — are actually made in Asia (a simple electric toothbrush may be made from components from 10 countries). And if recession in the US and Europe dampens demand for such goods, the ripple effect will be felt in China and across all of its suppliers whose booming trade with Beijing was seen as proof of decoupling. With factories losing orders, foreign investors, too, could start heading for the door.

In a globalised world you can run, but you can't hide.

The author is Director of Publications at the Yale Center for the Study of Globalization and Editor of YaleGlobal Online. boundtogether.bw@gmail.com

WE HELP ORGANISATIONS AROUND THE WORLD ACTUALLY GET THINGS DONE.

On every continent, in practically every industry, IBM is helping businesses rethink the way the world works. From intelligent power networks and advanced water modelling to smart vaccines and green data centres, we are applying innovative thinking to help solve real-world problems.

STOP TALKING **START DOING**

Hear from companies that have innovated, implemented and grown year on year. For more information, log onto **ibm.com/in/ibmforum**

START CONSERVING

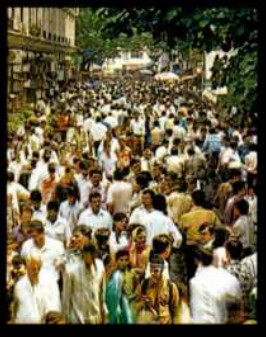
BM helps companies like CenterPoint nergy create intelligent utility networks that an help provide greater service reliability nd promote energy efficiency.

START COLLABORATING

BM helps implement ystems that allow ealthcare organisations share critical medical formation in real time, hich can lead to better are for thousands patients.

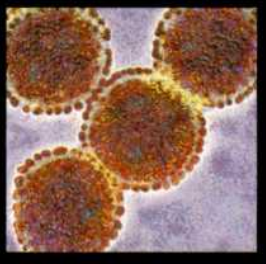
START EXPLORING

IBM and National Geographic have teamed up on the Genographic Project – a five-year study using over 200,000 DNA samples to map how humankind has populated the globe and to uncover the genetic roots we all share.



START GROWING

IBM's globally integrated delivery model helps companies rethink their business structures – allowing them to optimise resources, cut costs and expand into new markets.

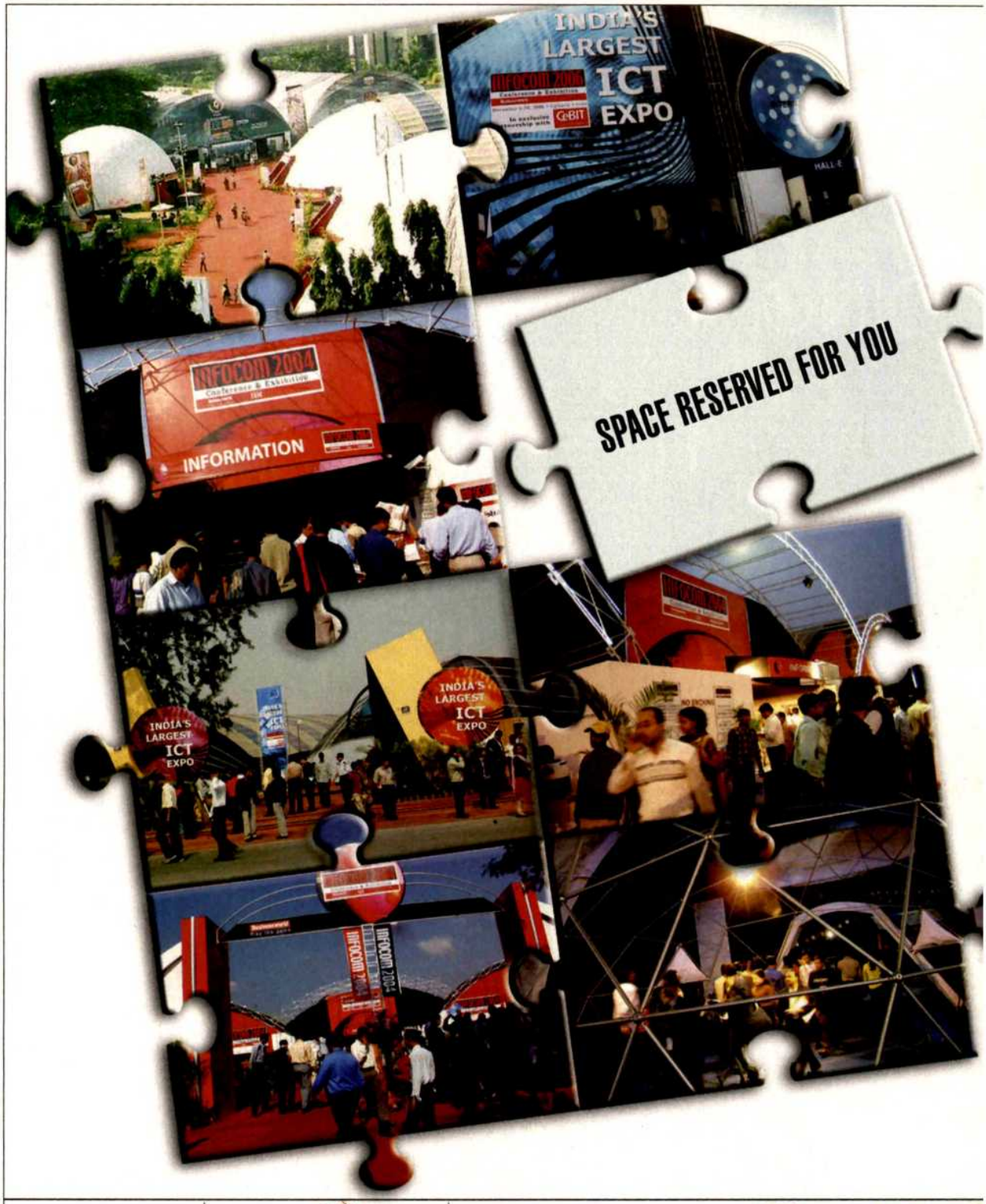


START ANTICIPATING

IBM and The Scripps Research Institute are using supercomputers to help determine which of the one billion possible mutations of the avian flu virus are the most infectious so that vaccines can be developed before outbreaks happen.

START EXCEEDING

IBM is helping banks reduce the time it takes to open an account from hours to minutes, making the overall customer experience faster and much more convenient.



International Media Partner:
CNN

Radio Partner:
RED FM 93.5
Bajaate Raho!

Associate Sponsors:
PRESIDENT
The first name in enclosure systems
Avocent
DELL
SAP
CAMELLIA GROUP
PAILAN GROUP
AXSYS TECHNOLOGIES
Sun microsystems
SIEMENS
Siemens Information Systems Ltd.

ABP

INFOCOM 07 08
Conference & Exhibition
Businessworld initiative
Hyderabad ▪ Calcutta

In exclusive partnership with CeBIT Join the vision

.ET THOUSANDS OF VISITORS GET A REAL TIME EXPERIENCE OF YOUR PRODUCTS AND SERVICES. DISPLAY THEM @ THE NFOCOM 07-08 EXHIBITION BETWEEN EBRUARY 21-24, 2008.

IFOCOM 07-08, India's largest Information and Communication Technology CT) Expo is back again in Calcutta. Participate in the Exhibition at the Salt Lake Stadium grounds id make the most of this opportunity by showcasing your ideas, products and business solutions. you have anything to do with IT you just can't afford to miss INFOCOM 07-08.

In association with:

ADVANTAGE BENGAL
DESTINATION KOLKATA

ibition Highlights:

er 150,000 sq. ft. of exhibition space
er 200 exhibitors in fully air-conditioned ambience
all sizes: 2m X 3m, 3m X 3m, 6m X 5m, 6 m X 6m and multiples
er 100,000 expected footfalls

To book your stall space, wire up with:

Calcutta - Rudrashish Nag (9831310118) • Bangalore - Raja Mitra (9886019111) • Chennai - Rajiv Reddy (9841033442)
Delhi - Anita Mazumdar (9810331309) • Hyderabad - Chandrashekhar Avvaru (9963137307)
Mumbai - Bhaswati Ghosh (9819022145)

Email: info@indiainfocom.com • Website: www.indiainfocom.com

FUTURESOFT™ HDIL Creating Value Cognizant

INFOGEN global WDC UGFA Quality that's unbeatable

Seagram's BLENDERS PRIDE MAGICAL NIGHTS

Wait Until Dark

by M. Allirajan

Shortages begin to trip once power-surplus Tamil Nadu

IT IS LIKELY TO BE A SUMMER OF DISCONTENT FOR industry in Tamil Nadu (TN). Ask Kumar, owner of a small mill in Sulur, near Coimbatore. In December 2007, when power shortage peaked in India's southernmost state, Kumar would ask his workers to clean his machines more than once during the day. His newfound fetish was born of ambient frustration. Unexpected outages had made 8-hour shifts impossible. "We have fixed costs, mainly interest and wages. What else can we do?" he asks.

TN faced a shortage of 315 MU in November — 0.52 per cent of its annual power requirement of about 60,000 MU — which was brought down to about 100 MU by purchasing power from other states (see table 'Powerful Sources'). But the approaching summer could well see sweltering shortfalls of up to 500-550 MU.

"While the current infrastructure has been able to sustain the growth thus far, there is an urgent need to scale up the infrastructure to support the increasing number of manufacturing units," notes Sachin Saxena, director of operations and logistics at Nokia India, in Chennai.

It is true that power crises are common in most Indian states but TN's legendary power-surplus status was the reason why high profile companies such as Nokia, Dell and Samsung invested here. In fact, as massive investments poured into this resurgent state, demand for power surged. TN attracted $2.72 billion (Rs 10,880 crore) in FDI (foreign direct investment) between January 2000 and June 2007, the third largest for a region in the country. In the past 12 months alone, the state's industries department signed MoUs for projects totalling Rs 6,985 crore, and most of that with large industrial houses and MNCs.

Indeed, the recent outages are viewed with more than a little perplexity, and even disbelief. Sources this reporter spoke to do not remember when the last power crisis occured. "We never had tripping in the 110 KV line. Now, it has become quite common," rues an industry official from the Coimbature district.

Now, "We are not able to plan production properly. For every power cut, we spend close to two hours restarting the machines," says S. Aravind, who runs a plastic unit in Madurai. A 30-min cut leads to a hour and a half long 'stop-start' process. Many units have taken to working on Sundays and all through the night.

Among the southern states, TN recorded the highest growth in power consumption in the last seven years. The state's annual power requirement is now about 8,800 MW. The demand for electricity, which was growing at 400 MW, rose by 600-700 MW in the past two years. Parallely, the state's power generation record in recent times has been less than admirable (see table 'Power Supply Position').

The North Chennai thermal power station, the last major public sector power project by the TN government, was commissioned in 1994. Conceived in the 1980s, it is being overhauled and expanded only now. "The demand for power has grown at 12 to 15 per cent. But there has been no matching capacity addition," admits a senior Tamil Nadu Electricity Board (TNEB) official.

They've Got The Power

By sparing Chennai and its periphery, which attracted significant investments in manufacturing, electronics and automobiles in recent times, TN authorities have given investors the impression that the state is power sufficient. For instance, the Nokia facility in Sriperumbudur, outside Chennai, faces no power problems. Industry players in other parts of the state, however, have legitimate cause to fret.

"If power shortage is distributed evenly, it would help reduce power cuts by at least half," says K. V. Srinivasan, chairman of the Southern India Mills' Association (SIMA). When the power crisis peaked, SIMA wanted the government to announce outage timings.

"We are ready to give up 10 per cent of our maximum demand. But the government should make scheduled power cuts," concurs Jayakumar Ramdass, managing director of Coimbatore-based Mahendra Pumps. Distribution of outages, however, continues to be uneven.

Sweating It Out

Power accounts for 15-20 per cent of costs, depending on the industry. Energy intensive sectors such as foundries, chemicals, polymer and processing units gobble up 30-40 per cent. A severe shortage coupled with escalating costs can easily wipe-out entire margins.

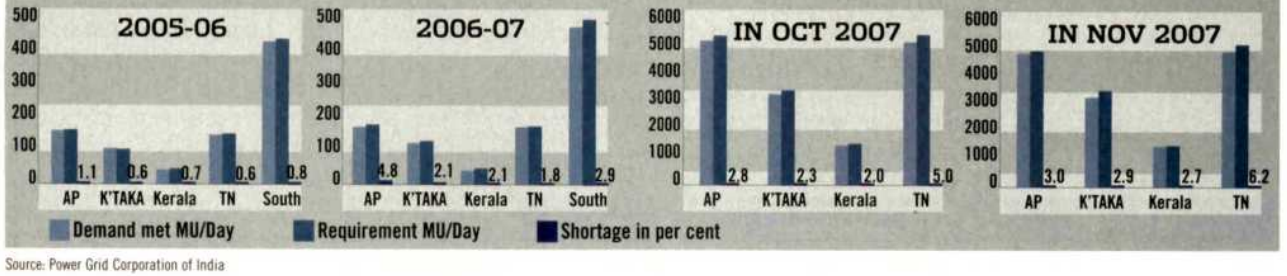
"Those who ran three shifts a day are still incurring losses. Others are just about managing to get work done," says P. T. Krishnamoorthy, who runs a chemical unit near Madurai. With a utilisation loss of 10-15 per cent, a 25,000-spin-

LIGHTS OFF: Productivity of manufacturing units suffer due to frequent power cuts

CP SHANMUGHAM

THINGS ARE WORSENING

Summary of power supply position in southern region — average energy per day. TN has shown the highest increase in consumption of 47% from 1999-2000 to 2005-06, from 5,580 MW to 8,209 MW



Source: Power Grid Corporation of India

dle mill stands to lose Rs 1.5 crore annually. Spinning mills account for 47 per cent of the state's high tension (HT) consumers and nearly a third of revenues. The textile industry in TN, the largest consumer of power in the state's industrial sector, stands to lose close to Rs 1,000 crore a year as a fallout of the power crunch.

For the pumpset industry, sales peak in summer. But, "We will not be in a position to supply enough pumpsets this season," says V. Krishnakumar, general manager, marketing, Aquapump Industries, part of Coimbatore-based Texmo, one of the largest pumpset manufacturers in the country.

In The Dark

The TNEB chairman, S. Machendranathan, did not respond to *BW*'s queries on the state's power logjam. But, at a function organised by the board in Chennai recently, he reportedly admitted that poor addition to power generation facilities in the past few years was the reason for the state's failure to meet surging requirements.

Two major JVs with the National Thermal Power Corporation (NTPC) will contribute 1,000 MW each, but only at the turn of the decade. Help will come from ongoing expansions at the Kudankulam nuclear power project and the Neyveli thermal station, but they are central schemes that require TN to share output with its power-starved neighbours. Only five out of the 20-odd private sector projects, commissioned by the government in the early 1990s, have been completed.

Alternative Thinking

The cost of alternative sources of power make them unviable for most manufacturing units.

Per unit cost for power produced from diesel-run generators works out to Rs 12, almost thrice that of grid power. Furnace oil costs Rs 8.20 per unit. Wind power, though feasible, has run into rough weather due to infrastructure bottlenecks (see 'Gone With The Wind' on page 54).

The steady, if slow, deterioration in TN's power situation should have prompted industries with heavy power needs to go in for captive generation, say observers. But a proposal from textile mills to set up a 500 MW coal-based plant for their exclusive use is only gathering dust. Large textile and auto ancillary units have opted for a high capacity direct line, which ensures hassle-free supply. But this costs Rs. 2.5-3 crore and not many units can afford it.

Elsewhere, "We are going in for alternative methods to tackle the power problem," says S. Rathinasamy, vice president of Sakthi Auto, an Erode-based auto component maker. At Sakthi Auto, power consumption will be considerably reduced by moving from furnace melting to cupola melting (where coke and limestone are used to melt raw material).

Some continuous process industries, such as sanitaryware, are coming up with indigenous solutions to reduce power intake. Besides a fuel-efficient kiln, Parryware Roca, part of the Murugappa Group, uses natural light for its Perundurai (about 380 km from Chennai) factory.

"Our power consumption is very low. But with demand for power going up, we have to explore all possible options," says K. E. Ranganathan, chief executive officer of Parryware Roca, in Chennai.

POWERFUL SOURCES

TN has been managing with power purchase and extra allocation

Details	Total Capacity MW	Available capacity MW	Lighting Peak MW	Minimum Load MW	Morning Peak MW	Consumption MU
Date						22.01.08
Total Tamil Nadu	10,122	8,500	8,387	6,169	8,515	—
23.1.2007 (Last Year)	—	8,229	5,544	8,067	—	—
21.01.08 Sustained Peak	8,178	—	—	—	—	—
Load Shedding During Peak	210	—	—	—	—	—
Central Generation Scheme-- TNEB						
NTPC (2600) Including Kolar	659	(Extra allocation*	1,959	2,045	827	1,849
External Assistance						
Eastern region power	155	141	139	139	139	3.308
Power Purchase	—	100	100	100	150	3.075

* of 200MW for evening peak hours from 19.01.08 onwards) Source: Tamil Nadu electricity regulatory commission reports

GROWTH IN POWER GENERATION

TN's growth compared to the rest

	TOTAL SOUTH	TN
2004-05	1940 MW	117.21 MW
2005-06	875 MW	237.8 MW
2006-07	603 MW	44.8 MW

Source: Power Grid Corporation of India

Powerless

Though the Electricity Act, 2003, does not allow state electricity boards to simultaneously engage in generation, transmission and distribution of power, two successive TN governments have been extending the deadline to restructure TNEB, which wears all these hats.

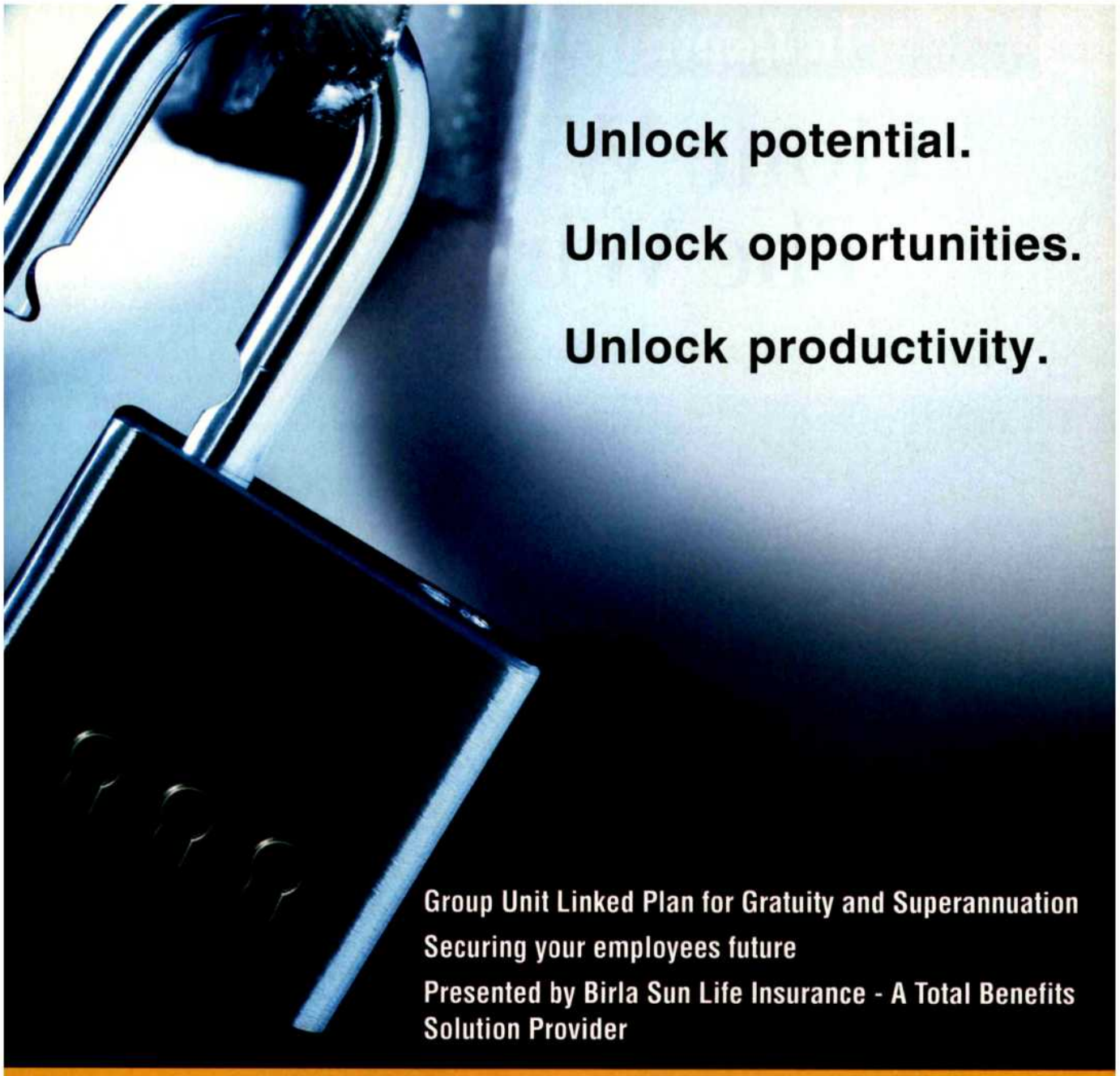
Despite an imminent crisis that shows no signs of blowing over, TN is yet to initiate any serious power sector reforms. Meanwhile, neighbours such as Andhra Pradesh (AP) have made remarkable strides in distribution. In fact, AP has been ranked the top power utility by major rating agencies for the past three years, which was achieved by drastically reducing its aggregate technical and commercial losses from 37 per cent in 1999-2000 to 15.8 per cent in 2005-06, and by achieving 100 per cent revenue collection, a rare feat.

Presently, TN has 23 projects with a total capacity of 7808 MW in the pipeline, which is almost equal to the state's annual power demand. For the interim, "We have floated tenders for buying power," says a government official. "There are a few pockets with surplus power and we plan to tap them fully."

TN's Minister for Electricity, Arcot N. Veerasamy, has stated that he expects no power cut in the state this summer. While the government can purchase power from the North-East, Punjab and Haryana, buying power from private plants through open bidding can jack up costs to Rs 5 per unit. Besides, ad hoc measures can hardly meet a growing demand.

"Yes, we are concerned. In the manufacturing business, uninterrupted power and water supplies play a critical role and any such shortages can definitely adversely impact business operations and have effect on future planning and investments," says Vice President of manufacturing at Ford India, Tom Chackalackal. After 10 years of plentiful power, Ford recently announced a $ 500 million (Rs 2,000 crore) investment in Chennai, the largest by the company in India so far. But if TN wants to remain a favoured investment destination, it must first make sure the lights don't go out.

m.allirajan@abp.in



Group Unit Linked Plans have high performance investment funds and backed by innovative customised solutions, expert research, complete security unds and a pioneer's understanding of the market.

oup Gratuity Plan • Group Superannuation Plan
oup Protection Solutions

Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

Birla Sun Life
Insurance
YOUR DREAMS. OUR COMMITMENT.

Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading ational financial services organisation.

ance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the s of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla ife is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money et, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way ate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off

Gone With The Wind

by M. Allirajan

SHOCKING: Power producers lost Rs 900 crore in the past year

Tamil Nadu has wind power, but not enough lines to carry it

ONLY MYOPIA CAN OBFUSCATE THE WRITING ON the wall. A power crisis should not be stalking Tamil Nadu (TN), not with over 50 per cent of the nation's total wind-power generation capacity, at 3,684 MW, installed in the state. But though TN has the required infrastructure, there aren't enough lines to carry the wind energy harnessed thus. The losses arising from poor connectivity are in the region of 800-900 MW, which is more than the current shortfall (see 'Wait Until Dark' on page 50). Load shedding and generation shedding have led to a double whammy. "Power cuts would not have come about had wind power been utilised fully," says K. Kasturirangaian, vice-president of Indian Wind Power Association, in Chennai.

TN has only managed to generate 5,250 million units of wind power this year, despite its latent ability to generate 8,250 million units. In southern TN, out of the 2,207 MW installed capacity, only 1,200 MW was generated. The reason: poor power evacuation (transmission) infrastructure, and a decline in wind speeds by about 10-15 per cent. Indeed, the situation is particularly bad in the southern districts, where windmills are distributed widely, and often far from the consumption points. For instance, power generated in Tirunelveli has to be transmitted all the way to Madurai, 150 km away, but lines are not available. "Windmills have been pushed out of the grid," regrets Kasturirangaian. "The carrying capacity is inadequate."

Unlike conventional power generation projects, commissioning windmills takes relatively less time (three-six months). It costs about Rs 5 crore to set up a windmill. An additional Rs 25 lakh has to be paid to the Tamil Nadu Electricity Board (TNEB) as infrastructure charges. In the long run, wind power generation costs work out to Rs 2.50 per unit, which is much cheaper than grid power (Rs 4.30 per unit). A one-MW windmill generates 18 to 34 lakh units per year. TNEB purchases this power at Rs 2.90 per unit (around Rs 90 lakh for one MW).

With the loss of 500-900 MW, wind power producers have lost over Rs 900 crore in the past year. "Investments running into crores of rupees are being wasted because of bad transmission," says S.D. Singh, president of Vestas RRB India, a leading manufacturer of windmills, in Chennai. Currently, windmills worth Rs 4,500 crore stand idle. "Wind power generators have been incurring heavy losses due to lack of infrastructure." As a direct fallout, Vestas saw a 25-30 per cent drop in windmill offtake last year. Fearing cost over-runs, Kasturirangaian, who set up his first windmill in TN in 1994, now locates all his new windmill projects in neighbouring Karnataka.

Unlike elsewhere, independent producers in TN must route their sale only through TNEB, which discourages standalone windmill projects. Unsurprisingly, about 65 per cent of wind power generated in the state is for captive use.

TNEB, however, blames producers for the poor transmission. "They put up a unit every six months. We need at least 12 months for setting up lines," says a senior TNEB official. The board has been asking producers to provide capacity addition plans for the next five years but response has been poor, he says. Connecting remote areas in the south to the grid is not easy as conduits must pass through private land.

Once a pioneer, TN's incremental wind power capacity addition has been falling. The state, which added 800 MW and 550 MW capacity respectively in the past two years, is projected to add 400 MW this year. Wind accounts for 12 per cent of power generated in TN, a state endowed with hill passes and seas. "This could easily go up to 17 per cent," says Kasturirangaian. If achieved, the environment will profit too.

m.allirajan@abp.in

HIGH PERFORMANCE FUNDS

EXPERT RESEARCH

INNOVATIVE CUSTOMISED SOLUTIONS

INDEPTH UNDERSTANDING

SUPERIOR SECURITY

WHEN IT COMES TO

GROUP EMPLOYEE BENEFITS

AND RETIREMENT SOLUTIONS,

WE'RE THERE !!

Our **Group Unit Linked Plans** have high performance investment funds and are backed by innovative customised solutions, expert research, complete security of funds and a pioneer's understanding of the market.

Toll Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

Birla Sun Life
Insurance
YOUR DREAMS. OUR COMMITMENT.

Birla Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading international financial services organisation.

Insurance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla Sun Life is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money Market, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way indicate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the sale. Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off

The **rise** of the enigmatic, but **controversial**, Anil Agarwal and his metals **empire**

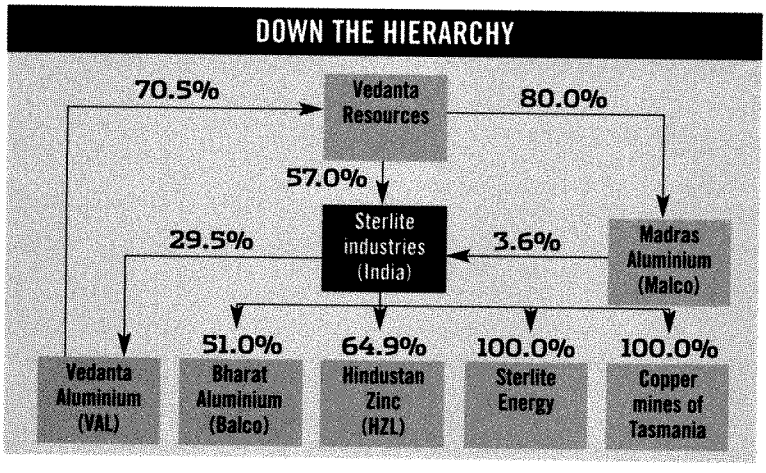
Gold Digger

BAIJU KALESH

ONE SUNNY MORNING IN THE SUMMER OF 2003, BRIAN GILBERTON, THE former chief executive of Australian metals giant BHP Billiton and an avid cyclist, rolled out his bicycle from his Oxford home for a ride to London. As he left, a dark, stocky man joined him on his own bicycle. Gilberton recognised him instantly.

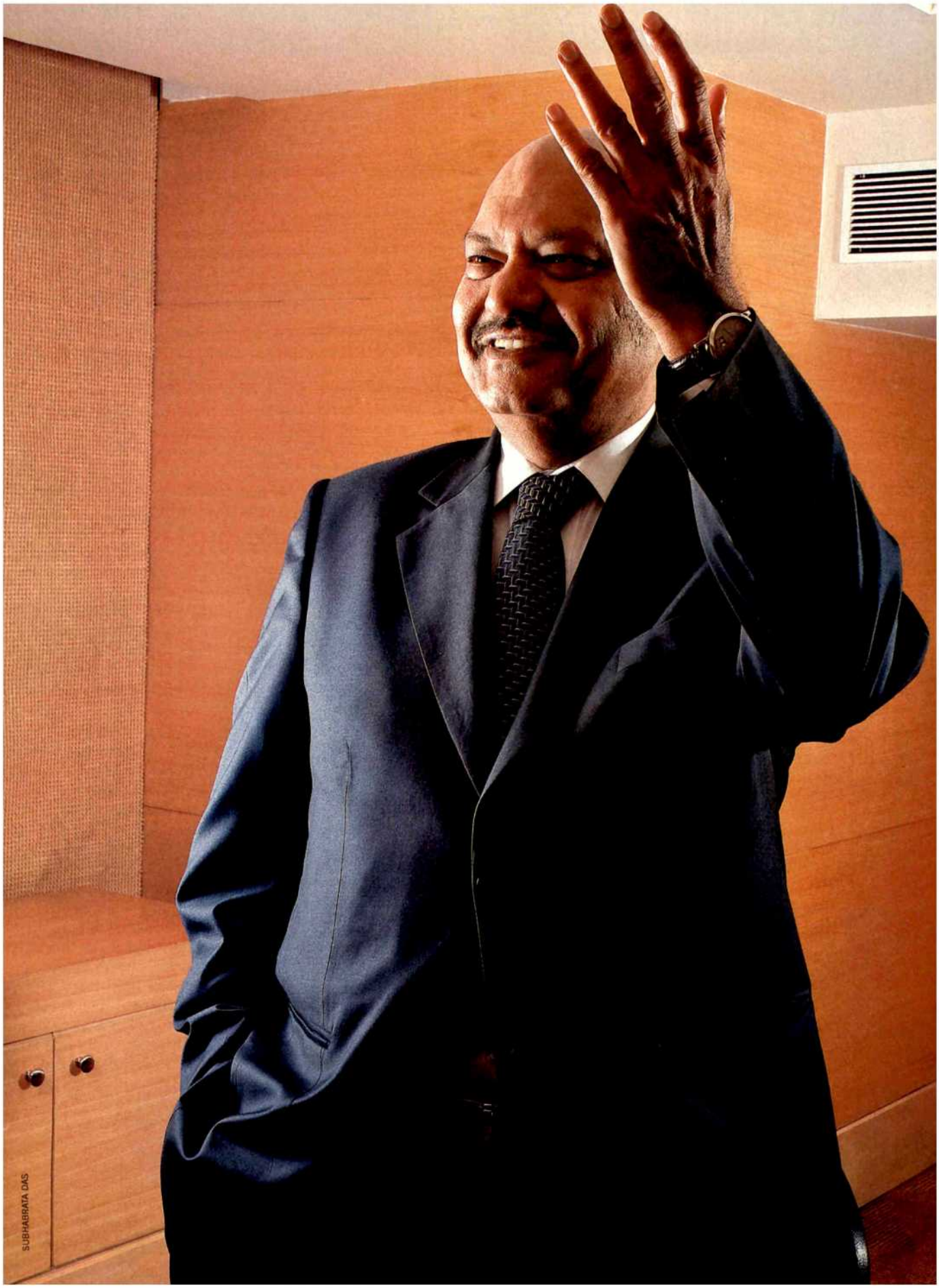
The man was Anil Agarwal, a metals trader-turned-entrepreneur from Bihar who was preparing to list a new holding company, Vedanta Resources (named after his mother), on the London Stock Exchange. An LSE-listed company would give the bucolic businessman respectability and international acclaim. Agarwal knew that the globally well-known Gilberton — who was not convinced about the capabilities of Vedanta — could make the difference between success and failure of the issue.

Agarwal wouldn't reveal the conversation during the ride, but by the time they biked from the world's most famous centre of learning to the most important financial hub, Gilberton was a convert. He joined Vedanta as non-executive chairman for £2 million a year and sold the $825-million issue.



"Nobody believed me when I took Vedanta to LSE," says Agarwal. "Many were scared to put money in a company with a promoter with little education. My bio-data was scanned and auditors did 150 due diligence checks." Gilberton was fired three months later when it transpired that he was advising a Russian rival, but with Vedanta's listing, Anil Agarwal arrived on the world stage in style: enigmatic and controversial.

His relentless pursuit of the right people brought in P. Chidambaram (before he became India's finance minister), former Indian ambassador to the US, Naresh Chandra, and former KPMG chairman, Michael



SUBHABRATA DAS

Fowle, to the board of Sterlite Industries.

Gutsy Rise

Anil Agarwal's story is one of tenacity, opportunism, luck and transition. From a trader to an industrialist; from copper to steel, power and zinc. And from riding a Lambretta scooter in the late 1970s to criss-crossing the globe in his company's eight-seater corporate jet. But though he lives in a $70-million mansion in London, he says, "I do not enjoy luxury."

He calls himself a visionary, though he comes across more as a trader with the mind of a private equity investor. He is hated by environmentalists, jostles with regulators and is disliked by some investors. His companies' offer documents are thick with lists of litigations and regulatory proceedings. Yet, his business thrives. Like a tenacious bull, he has muscled his way into eminence among India's corporate czars. Rather than building businesses from scratch such as the Ambanis or Tatas, Agarwal has built his empire the L.N. Mittal way — acquiring government assets and growing them. Revenues of Vedanta Resources have shot up from $1 billion to $5 billion in four years, making him one of India's largest group by revenues and market cap. Group companies Balco, Sterlite and Hindustan Zinc have now aimed for 20 per cent of the world's production of aluminium, copper and zinc in the next 10 years. "My goal is not to export any metal from India," he says. "Instead, it should be consumed within the country."

His romance with metals began in the late 1970s when he started life as a copper trader. Once, a well wisher, who declined his offer to join the Sterlite board, urged him to buy oilfields. He refused. "I understand the algorithm of metals, not oil," Agarwal told him.

In the early 1980s, Agarwal persuaded an apprehensive Syndicate Bank to lend him Rs 60 lakh to buy a jelly-filled cable-making company owned by the King of Nepal. The shrewd trader was actually interested in the large stock of copper at the company's Ghatkopar factory. Immediately after buying the company, he sold off the copper at an unbelievable Rs 2 crore, though he insists he made only Rs 20 lakh. He paid back a surprised Syndicate Bank within two weeks. That company later became his flagship, Sterlite Industries. Such payment history has continued to this day. Agarwal's companies have never defaulted on a loan.

Agarwal has an uncanny eye for value in seemingly bad assets. In 2006, he paid Rs 550 crore for Balco when nobody would touch it. Later, he picked up Hindustan Zinc for Rs 600 crore, paying Rs 40.50 per share when the metal's prices were rock bottom, but today the company's share trades Rs 604. His detractors believed he paid a high price but today Agarwal makes a margin of 70 per cent on zinc, primarily because the company has a captive power plant and mines that can feed the smelters for the next 35 years. "You have to give a very strong reason to discourage him," says a banker who worked with Agarwal on several deals.

Until he bid for Sesa Goa, which owns the world's second-largest iron-ore mine and produced metallurgical coke, Agarwal was only into non-ferrous metals. But he scooped up Sesa Goa for $981-million from under the noses of steel king L.N. Mittal, Rio Tinto, BHP Billiton and JSW Steel. Again, many were of the view that he paid a high price but it laid the foundation for his new business — steel.

"I believe owners of iron ore are going to rule the industry," Ratan Tata, whom Anil Agarwal regards in awe, had predicted two years ago. "They will be the OPEC of the steel industry."

Agarwal hasn't always been successful as a takeover artist. He failed to turn around India Foils, a small aluminium foil maker in Kolkata. After keeping it in his fold for over three years, he has put it on the block. "We are not gods and so we had to make mistakes," he explains. Says Tarun Jain, his trusted confidant, "India Foils was one such mistake and it contributed just 5 per cent to our turnover."

HEAVY TROUBLE: Recently, the Supreme Court stopped Vedanta from mining in Orissa on grounds of environmental damage and displacing tribals

Minimum Exposure

Lately, Agarwal has realised that Vedanta has opened up too many fronts in the metals business. That the cyclical nature of business and global consolidation could be suicidal. So, his recent moves have been

aimed at derisking. For instance, Sesa Goa, which can produce 207 million tonnes of iron ore to make 6 mt of iron and steel for 50 years, will make steel for the domestic market. Since he is not an expert in steel, he is trying to rope in a partner that would also be a customer for Sesa Goa's iron ore.

Likewise, he is scouting for captive customers for aluminium, zinc and copper. At a vendor meet in January titled 'Elements', Agarwal ended up signing agreements with close to 100 companies to provide him with logistics support, raw materials, engineering equipment and services, and creating entrepreneurs who would make products using raw material supplied from his factories.

Take Vijay P. Karia, a small-time entrepreneur who supplies copper cables for Sterlite's smelter in Orissa. He also buys copper and aluminium from Sterlite to make copper cables. Agarwal's strategy is to get Karia closer to his plant. "It is a win-win for both of us," he says. By outsourcing his future requirements, Agarwal is hedging against cost inflation and also tying up buyers for his products. For entrepreneurs who have ideas but are short on money, Agarwal is keen to fund them.

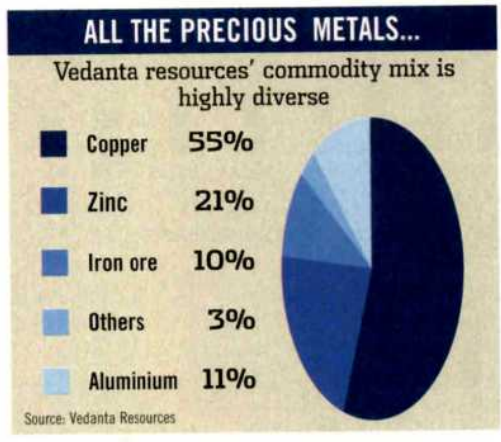
Historically, he has been averse to debts. So he has mostly raised equity from different markets. Vedanta Resources raised $825 million from London, Sterlite Industries $1.75 billion from the US and Vedanta Power is looking to raise equity from India. Sources say talks have been initiated with PE investors for a pre-placement by hawking a minority stake and benchmarking Vedanta Power. Company sources say it wants to raise substantial money to meet its Rs 40,000-crore capital expenditure plan.

Investors haven't always been happy, though. Agarwal attracted investor ire when he sent out cheques to Sterlite shareholders through a forced buy-back which, though widely perceived as illegal, was not. "The compulsory buy-back was the blackest spot in his corporate career," says a finance expert and Agarwal's confidant for several years. Agarwal says it is history now. "I will not do anything that will not benefit society."

Mellowed Mettle

Agarwal often attracts fame for the wrong reasons. A Norwegian sovereign fund sold its investment in Vedanta saying it could not support a company whose projects in Orissa would harm the environment and displace tribals. Following the announcement, the Supreme Court stopped the company from continuing mining in Niyamgiri Bauxite mines. Instead, the apex court allowed the Indian company, Sterlite, to continue feeding the smelter. Agarwal says the Norwegians are envious of India's success.

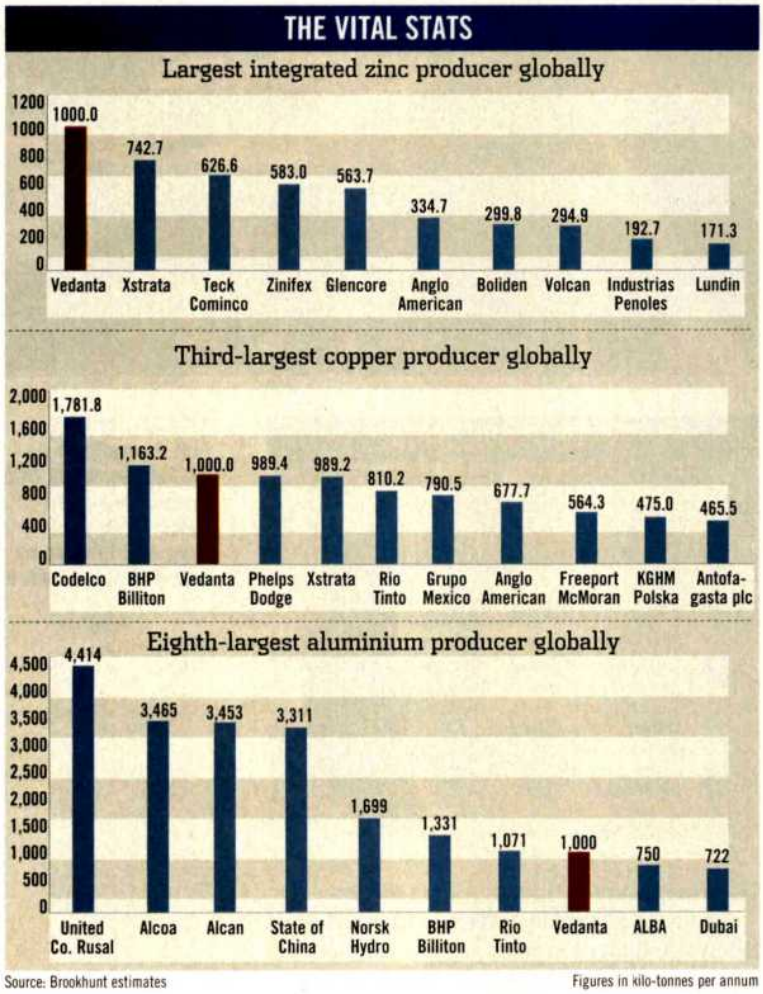
THE RIGHT BUY: Anil Agarwal has an eye for seemingly bad assets. He bought Balco for Rs 550 crore at a time when nobody would touch it



A report released last week by the Centre for Science and Environment says environment activists travelled to London from Orissa to confront Agarwal on his company's human and environmental rights record at its AGM in August 2006. He denied any violations and said his company would accept any decisions in court.

Agarwal says he is more conscious of protecting the environment now. "At our Kalahandi bauxite mines in Orissa, locals are protecting us because we provided livelihood to more than 1,000 people and offered them a decent life." He says he would convert Sesa Goa's mines into greenery once he finishes with them and would provide livelihood to locals.

His recent turn to spirituality and Vedas has also mellowed Agarwal. At his newly-built five-storeyed corporate office in Mumbai, a sculpture of a coconut in a *kalash* (a Hindu symbol of a good omen) welcomes you. On the ground floor are 12 visiting rooms named after the names from the Vedas, Mahabharat and Ramayana. The walls in the visiting rooms are replete with paintings of a cosmic universe. And unlike his previous office near the Gateway of India, which paraded the group's copper lineage, the new office reflects his new love for steel with a modern steel and glass finish.



Source: Brookhunt estimates

Figures in kilo-tonnes per annum

Those who know Agarwal say the spiritual leaning has come about gradually. He recites the Vedas every morning and when in Mumbai rarely misses an opportunity to visit the Siddhivinayak temple. An expert *dholak* player, he once went into a trance and tears flowed from his eyes while playing at a temple, says a relative who witnessed the incident.

A year ago, on a close friend's advice, Agarwal set up the 10,000-acre Vedanta University in Orissa, dedicated to his father Dwaraka Prasad Agarwal. The billion-dollar institute will have the Bay of Bengal on one side and the Mahanandi River on the other — an ideal environment for research scholars to work on his pet subjects like development of alternative fuels.

Unpredictable Businessman

Mellowed or not, Agarwal's unpredictability is still feared by rivals. Though he has largely remained a local player, in the metals world, he is known as an aggressive strategist with global ambitions. In the late 1990s, he approached Canadian aluminium giant Alcan with a proposal to buy it out from its Indian arm Indal. After Alcan spurned his advances, he made a hostile bid for the company. The bid shook up the Indian corporate firmament, which had never witnessed such drama before. To avoid the ignominy of being upstaged, Alcan sold the company to the Birlas, a name more acceptable to the Canadians than the upstart Agarwal.

Last year, rumours that the wily businessman had teamed up with Australian miner Rio Tinto to mount a hostile bid on Aditya Birla Group's Hindalco Industries had Chairman Kumar Mangalam Birla hastily shoring up his holdings in Hindalco from 17 per cent to 28 per cent by buying stock from the GDR market. Agarwal denies he planned to take over Hindalco. "We never thought about it," he says. "We plan to share technology and source raw materials." But Birla officials are uncomfortable about a tie-up. Perhaps, because both are eyeing state-owned National Aluminium Company (Nalco), which makes the world's cheapest alumina. Birla had shelved its plan to build a Rs 10,000-crore alumina project in Orissa when it heard that Nalco was on the block. But Agarwal, ever the calculated risk-taker, went ahead with his capacity expansion, forcing Birla to revive the alumina project after the government withdrew Nalco from its sale list. But by then Birla had lost several precious years and an opportunity to make money when aluminium prices went through the roof. Vedanta gained from the spiral.

But mention corporate battles and Agarwal switches to Vedas. "This is a cosmic world," he says. After one-two rounds, there will be similar opportunities, says Agarwal, in response to a question on his proposal to buy the government's stake in Bharat Aluminium Company and Hindustan Zinc, which is still pending in court even as he has the cheques ready.

Heir Not So Apparent

A top priority for any businessman is to find a successor. At 54, Agarwal is at a crossroads. Any successor, he says, must prove his mettle at Vedanta for a decade. His 30-year-old son Agnivesh, sources say, is yet to show any interest in his metals empire. But people familiar with him say he is grooming his nephew Prateek Agarwal, a Wharton graduate who is finishing a post graduate course at London School of Economics. Some Agarwal watchers, however, argue he may never need a successor. They say he has structured the group like a pyramid with holding company Vedanta Resources at the top listed in London, one of the world's largest financial centres, to keep it "sale-ready" at all times.

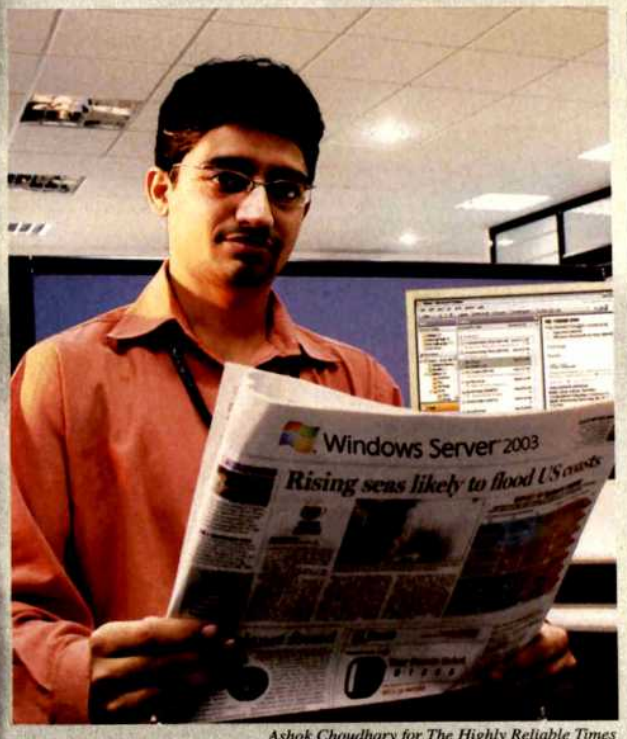
baiju.kalesh@abp.in

The Highly Reliable Times

VOLUME 1 – ISSUE 2

Windows Server 2003

WINDOWS CLICKS WITH NET4INDIA OVER LINUX



Ashok Choudhary for The Highly Reliable Times

Net4India manages its multitude of internet based services efficiently with a strong IT backbone.

VALLI SPEAKS OUT:

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0,"

- Desi S Valli, ED & COO, Net4India.

Millisecond customer response made possible by a reliable communication platform

By C. LAL

NEW DELHI, Nov. 2007 - Net4India is the leading pan-India IP communications company and the only Indian Internet communications company with service provisioning ability on a multitude of Internet based services such as domain registration, Web hosting, data center operations, business e-mail solutions, Internet telephony services and Internet access services.

Net4India had built its portal on open standards i.e. Linux as the operating system and MySQL as the database. However problems plagued this arrangement, right from slow lead time affecting customer experience to unreliable web environment that required the team to constantly develop updates. Net4India required a scalable, reliable and secure solution to manage its operations

Which is why, Net4India turned to the Microsoft® .NET Framework 3.0 programming model. The Technology team used Windows® Communication Foundation and Windows Workflow Foundation to simplify, speed up and future-proof its applications. More importantly, it provided the seamless, secure, and reliable connection across the e-commerce portal that Net4India was looking at.

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft . NET Framework 3.0," explains Desi S Valli, ED & COO, Net4India. The solution was designed keeping in mind enhancement of the user experience and to provide a reliable technology platform for high usage data center environment.

The customers seem to be the real beneficiaries of the improvements that the new Microsoft Windows®-based architecture employed by Net4India brings. For the full Net4India case study plus other independent case studies and research findings on reliability of Windows Server over Linux, visit us at microsoft.com/india/getthefacts

BREAKING NEWS:
Satisfied customers back the secure communication platform

Consistent updates ensure Net4India delivers a secure platform and a long line of supremely happy customers. – *Continued on Page 14*

© 2007 Microsoft Corporation. All rights reserved. Microsoft, Windows, the Windows logo and Windows Server are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

McCann/MSFT/17/07

Tax Planning MADE EASY

Simplify your tax planning by acquiring a thorough understanding of where to invest, says Mugdha Benjamin

Tax-related issues always appear complicated. The confusion often stems from the tax lingo. Moreover, we postpone tax concerns to the eleventh hour, thus making the process, dreary and cumbersome. Here are a few tips that will give you better clarity and simplify your tax planning process.

Our income slab decides our taxable income every year. To identify your tax liability, you can refer to the Ready Reckoner article or consult a financial expert. After this, you need to identify the various deductions which entitle you to invest and save tax.

Here's a list of the deductions that can be availed -

1. Under section 80CCD, deduction is applicable to any individual who has contributed to a pension scheme of the Central Government and has been employed by the same on or after January 1, 2004. The deduction will be allowed for any amount deposited in such a pension scheme, however, deduction of more than 10% of the employee's salary shall not be allowed.

2. Under section 80D, any premium paid for medical insurance taken for the health of the individual or his family is allowed for a deduction, up to Rs 15,000. For senior citizens, an enhanced deduction of Rs 20,000 is granted. The deduction is available only if the premium is paid by cheque.

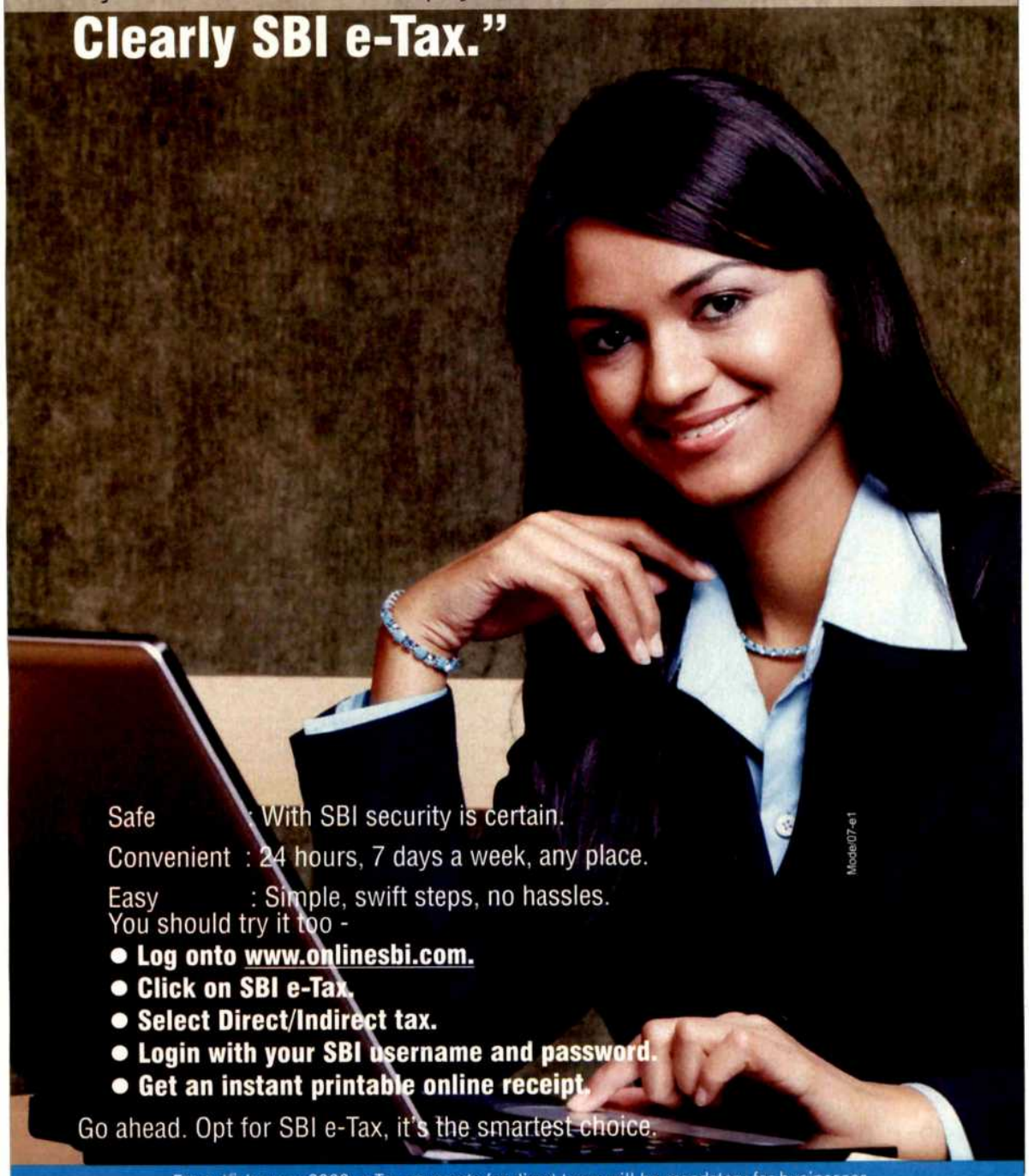
3. Under section 80DDB, any resident individual spending for the medical treatment of a specified disease affecting him, his (dependent) spouse, children, siblings or parents, will be eligible for a deduction of the amount actually spent or Rs 40,000, whichever is less.

4. Section 80E states that deduction is granted for payment of interest on loans taken for higher education from any financial institution or an approved charitable institution. The loan must be taken for pursuing either a full-time graduate or post-graduate course in Engineering, Medicine or Management, or a post-graduate course in Applied Science or Pure Science.

State Bank of India
With you - all the way
Pure Banking. Nothing else.

"SBI has a perfect mix of experience and technology.
My choice for online tax payments -

Clearly SBI e-Tax."



Safe : With SBI security is certain.
Convenient : 24 hours, 7 days a week, any place.
Easy : Simple, swift steps, no hassles.

You should try it too -

- **Log onto www.onlinesbi.com.**
- **Click on SBI e-Tax.**
- **Select Direct/Indirect tax.**
- **Login with your SBI username and password.**
- **Get an instant printable online receipt.**

Go ahead. Opt for SBI e-Tax, it's the smartest choice.

Model:07-e1

From 1st January 2008, e-Tax payments for direct taxes will be mandatory for businesses with Rs.40 lakh plus turnover and professionals with Rs.10 lakh plus gross receipts.

5. Section 80U concerns the deduction that can be availed of by a person suffering from a disability (permanent or mental retardation). This is specified in the persons with disabilities Act, 1995 or the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999. A deduction of Rs 50,000 is allowed, but in the case of severe disability, deduction is offered up to Rs 75,000.

6. Under Section 80 CCC (1), a deduction of up to Rs 10,000/- is allowed to an individual in case of contribution to 'Pension' scheme of LIC in India or any other insurance company. Accordingly, a person who is in 30% tax bracket can save income tax of Rs 3060/- (or Rs 3366/- if annual income exceeds Rs 10,00,000) by contributing Rs 10,000 towards pension plan in a year.

7. Under section 80 D, a deduction of Rs 10,000 (Rs 15,000 in case of senior citizens) is allowed in respect of premium paid by cheque towards health insurance policy like Mediclaim. Such premium can be paid towards health insurance of spouse, dependent parents as well as dependent children. Accordingly, a person who is under/in 30 % tax bracket can save income tax up to Rs 3,060 (or Rs 3366 if annual income exceeds Rs 10,00,000) by paying Rs 10,000 as premium in mediclaim policy in a year.

If you believe in extracting the best out of your investments, opt for risks

8. Under Section 80 CCE, aggregate deduction under section 80 C, under section 80 CCC and 80 CCD cannot exceed Rs 1,00,000.

9. Section 80C by itself provides a host of tax saving benefits, which are –

- Provident Fund
- Public Provident Fund
- Life Insurance Premium
- Pension Plans
- Equity Linked Savings Schemes of Mutual Funds
- Infrastructure Bonds
- National Savings Certificate
- Tuition Fees

Over and above the said investments, the payment made towards the principal amount of a home loan is also eligible for income tax deduction. The limit for the same is Rs 1,00,000.

10. Making donations to NGOs or charitable organisations is another method of availing tax exemptions. However, ensure that you make contributions to genuine and government recognised organisations.

Depending on your risk-appetite, you can invest in risk-free or conventional investments like PPF (Public Provident Fund), Life Insurance Premiums, NSC (National Saving Certificate) or fixed deposit or earn greater returns by embracing risks in ELSS (Equity Linked Saving Scheme) or Unit Linked Insurance Policies (ULIPs).

If you believe in extracting the best out of your investments, opt for risks, as there is a huge possibility of gaining rich dividends. It is always advisable to keep yourself well informed about the pros and cons of new investment schemes. Gaining an insight into the latest investment schemes enables you to make the most of your tax deductions.

Tax planning is definitely not a daunting task. With a little planning, clear-cut goal setting and a periodic investment schedule, you can smoothly sail through the process.

The importance of filing Income Tax Return

Though most of us neglect or ignore to file income tax returns, it is compulsory for all individuals whose annual gross income exceeds the maximum amount, which is not chargeable to income tax i.e. Rs 1, 35, 000 for Resident Women, Rs 1, 85,000 for senior citizens and Rs 1,00,000 for any other individual or HUF.

If the income is business or professional income requiring tax audit (turnover Rs 40 lakhs), the last date for filing the return is October 31. Otherwise for individuals, the last date for filing income tax return is July 31. Form 2 E (Naya Saral) can be used to file income tax return.

The penalty for non-filing of income-tax returns is Rs 5,000.

Source - www.bajajcapital.com

"I added to my father's joy."

Unit Linked Savings Plans from HDFC Standard Life

Welcome to a range of plans which is ideal for young professionals. Plans that allow you to save for your family and your future. So the next time your family needs a little help, take pride in making that surprise contribution.

- Market linked returns through 7 fund options
- Flexible premium and premium payment options
- Tax benefits up to Rs.33,990/-

☎ 1800-227-227
sms **SAVE** to **5676727**

HDFC STANDARD LIFE INSURANCE

Sar Utha Ke Jiyo

LandLine no: **6000 9191** (local call charges applicable) • Visit **www.hdfcinsurance.com**

Unit Linked Savings Plans include HDFC Unit Linked Endowment (Form No. P501-28/B, UIN: 101L015V02) & HDFC Unit Linked Endowment Plus (Form No. P501-28/A, UIN: 101L024V01). The name of our company 'HDFC Standard Life Insurance Co. Ltd.' & plans do not, in any way, indicate the quality of the plans, its future prospects or returns. Unit Linked Plans are different from traditional insurance plans & are subject to different risk factors. Tax figures mentioned are subject to change. For more details on risk factors, terms & conditions and applicable charges please read sales brochure or consult Financial Consultant before taking a decision. Insurance is the subject matter of the solicitation. ARN No: MC/01/2008/261.

Tax-Saving INSTRUMENTS

Utilise the various tax-saving instruments to a maximum to get tax rebate, says Blossom D'souza

Various kinds of investments can be looked at in order to save tax. Hence, there are different types of tax-saving instruments such as life insurance, mutual funds, fixed deposits, home loans and pension plans. Most of us probably make such investments on a regular basis. The trick is to select the right kind of tax-saving instrument. If we are going to invest our hard-earned money, let's ensure that we end up saving, rather than losing what we have invested.

Life Insurance

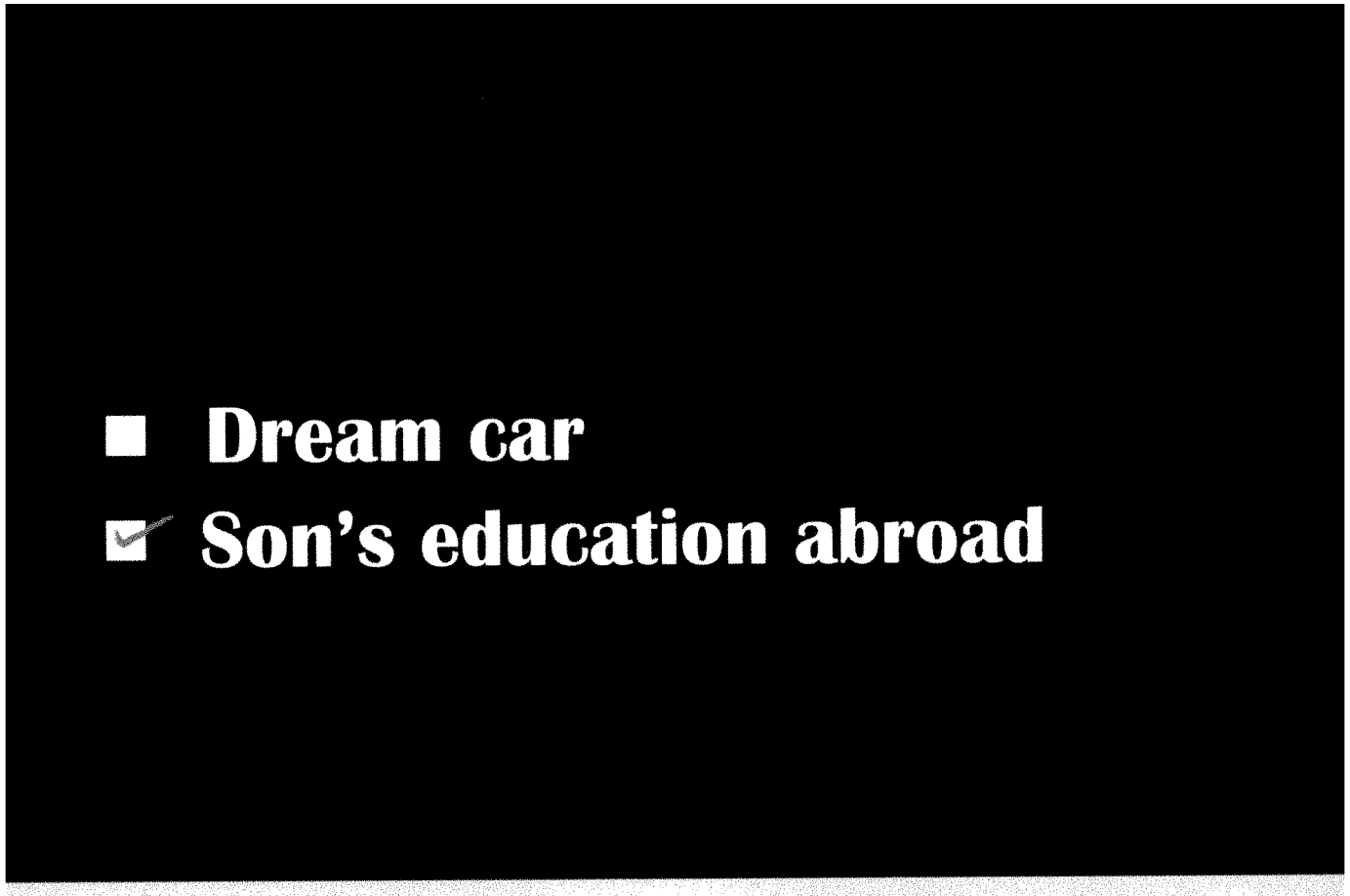
Life insurance qualifies for income tax exemptions and rebates. Under section 88 of the Income Tax Act, you can enjoy a certain percentage of rebate on investments by way of insurance premiums. The insurance company, however, must be IRDA (Insurance Regulatory and Development Authority) approved. A maximum of 30 per cent rebate is allowed, and it varies according to the tax bracket under which an individual falls.

Term Insurance

Term insurance is another kind of insurance scheme that is very cheap when availed of at a young age. In such a policy, there are payouts only in case of the policy holder's death. There are no payouts if a policy holder lives through to the tenure of the policy. To ensure the financial well-being of your dependants, opt for a policy of a longer tenure, at a considerably lower cost.

ULIP

Unit Linked Insurance Plan (ULIP) is available in two term periods - 10 years and 15 years. Investors in ULIP stand to gain life insurance cover at a nominal premium, accident cover, decent rate of returns and concessions under sections 88 and 48(2). With Unit Linked Insurance Plans, a tax rebate is offered under section 88, with a tax-free dividend. There is also the added advantage of long-term capital gains after maturity. A ULIP, entered at a young age, gives high yields, which decreases with the age of the holder. In addition to the



MAX NEW YORK LIFE PENSION PLAN. NOW NO MORE COMPROMISES.

You've always put the wishes of your loved ones before yours. Now it's time you think a little bit for yourself. Invest today in **Max New York Life Smart Invest Pension Plan.** So that when you retire tomorrow, life will no longer be a compromise.

- 100% of your renewal premiums are invested in the funds
- Dynamic Fund Allocation
- Opportunity to pay unlimited top-up premiums
- Choice of five attractive investment funds
- Hedge against inflation through increasing premium option.

For more information, SMS 'LIFE' to 54242

MAX NEW YORK LIFE

Your Partner for Life®

SMART INVEST
PENSION PLAN

Ab Koi Samjhauta Nahin!

Max New York Life Insurance Company Limited,
11th floor, DLF SQUARE Building, Jacaranda Marg, DLF City, Phase II, Gurgaon(Haryana) - 122 002.

For details on risk factors, terms and conditions, please read respective sales brochures carefully before concluding sale(s). Insurance is the subject matter of solicitation. The premium paid in unit linked life insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions. Max New York Life Insurance Company Limited is only the name of the Insurance Company and 'Smart Invest Pension Plan' is only the name of the unit linked life insurance contract and does not in any way indicate the quality of the contract, its future prospects or returns.

Form PSCG/MNYL/0013

major perk of a tax rebate, ULIP investors can enjoy a maturity bonus of 5 per cent and 7.5 per cent on the 10 and 15-year plans respectively. Nevertheless, avoid premature withdrawals as no bonus is offered then.

Fixed Deposit Schemes

Perhaps the safest tax saving instrument is the Fixed Deposit Saving Scheme. Within this scheme, a certain amount of money is deposited in the bank for a particular period of time. It has a fixed rate of interest. A Fixed Deposit ensures regular income, in addition to high returns.

Mutual Funds

Tax-saving funds or Equity Linked Savings Schemes come under section 80C of the Income Tax Act, in which a deduction of up to Rs 1,00,000 is allowed from Taxable Income with respect to investments. Tax-saving funds invest your money in stocks; thus the rise and fall of the stock value in the market can affect the value of your investments. The best option to follow in such an equity fund is a Systematic Investment Plan (SIP), which reduces the risks associated with returns from an equity fund. SIP is locked in for three years from the date of investment.

Mutual funds are best managed through strong systems and processes

Home Loan

If you are planning to buy your own property, consider saving some tax in the process as well. This can be done by taking a home loan to finance part of your property. While repaying the loan (which consists of two portions - interest and principal payment) there are important tax benefits. A home loan grants you a rebate under section 88 of the Income Tax Act. The percentage of the rebate varies according to your gross total income. Note that section 88 is not applicable if the total income exceeds Rs 5,00,000.

Pension Plan

Retirement planning is inevitable; hence it would be a good idea to consider a pension plan. A maximum deduction of Rs 10,000 per annum is allowed when a deposit is made towards any pension policy that is IRDA recognised. Some of the pension plans eligible for tax exemptions are Jeevan Suraksha of LIC and Personal Pension Plan of HDFC Standard Life. Retirement planning is very advantageous to every individual as it comes to one's aid, when the balance between income levels and expenses tilts in favour of the latter. Not to mention the tax benefits under section 80CC of the Income Tax Act and also the lump sum that the policy holder can use in times of crisis.

Whatever method you choose to invest, remember to work out an asset allocation to save tax and also realise your other financial goals. The tax-saving instruments will assist you in making the right move and help save money for a bright and secure future.

DSP MERRILL LYNCH

TAX SAVER FUND

- Tax benefit under Section 80(C)*
- Create wealth over the long term

www.dspmlmutualfund.com

* Deduction of upto Rs. 1,00,000/- from total income in a financial year

DSP Merrill Lynch
MUTUAL FUND

ABSOLUTE RETURN AS ON DECEMBER 31, 2007		
Period	**DSPML TAX SAVER FUND (GROWTH OPTION)**	**S&P CNX 500**
Since Inception	87.74%	56.79%

The "Returns" shown above do not take into account the entry load. Hence, actual "Returns" would be lower. S&P CNX 500 index as of December 31, 2007 was 5,354.70 Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 18-Jan-07. NAV as on December 31, 2007 was Rs. 18.7740 (Growth Option). **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.**

DSP Merrill Lynch Tax Saver Fund (DSPMLTSF), which is benchmarked to S&P CNX 500 Index, is not sponsored, endorsed, sold or promoted by India Index Services & Products Ltd. (IISL). IISL is not responsible for any errors or omissions or the results obtained from the use of such index and in no event shall IISL have any liability to any party for any damages of whatsoever nature (including lost profits) resulted to such party due to purchase or sale or otherwise of such product benchmarked to such index. **Investment Objective:** It is an open ended equity linked savings scheme, whose primary investment objective is to seek to generate medium to long-term capital appreciation from a diversified portfolio that is substantially constituted of equity and equity related securities of corporates, and to enable investors avail of a deduction from total income, as permitted under the Income Tax Act, 1961 from time to time. **Asset Allocation:** (1). Equity and equity related securities: 80% to 100%; Of (1), investments in ADRs, GDRs and foreign equity securities: 0% to 20%; (2). Debt, securitised debt and money market securities: 0% to 20% (Exposure to securitised debt will not exceed 10% of the net assets of the Scheme). **Investor Benefits & General services:** Declaration of NAV, sale (at Purchase Price) and redemption (at Redemption Price, subject to completion of a 3 year lock-in period from the Date of Allotment of Units) on all Business Days, with redemption payout normally within 3 Business Days. **Features:** Repurchase of Units only after completion of 3 year lock-in period. Minimum investment – Rs. 500/- and Rs 500/- thereafter. Options available: Growth, Dividend - Payout Dividend - Reinvest Dividend. Entry load: Regular Plan - For investments < Rs. 5.0 crore: 2.25% For investments >= Rs 5.0 crore: Nil. **Statutory Details:** DSP Merrill Lynch Mutual Fund was set up as a Trust by the settlors, DSP Merrill Lynch Ltd. (DSPML) and Merrill Lynch Investment Managers LP, USA. Sponsors: DSPML, DSP HMK Holdings Pvt. Ltd. and DSP ADIKO Holdings Pvt. Ltd. (collectively)(Liability restricted to Rs. 1 lakh). Trustee: DSP Merrill Lynch Trustee Company Pvt. Ltd. Investment Manager: DSP Merrill Lynch Fund Managers Ltd. **Risk Factors:** Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets. Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return or dividend. DSP Merrill Lynch Tax Saver Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns. For risk factors related to trading in derivatives and overseas investments, and other scheme specific risk factors, please refer the Offer Document. **Please read the Offer Document and KIM (available at www.dspmlmutualfund.com/ISCs/distributors) carefully before investing.**

1694.2008

Ready RECKONER

Be your own financial planner by computing your own taxable income, writes Sneha Bhat

It is that time of the year when your work takes a back seat and tax-planning finds a prominent place on your 'to do' list. Wouldn't it be a refreshing change, not consulting your CA for your tax-evaluation this year?

A Ready Reckoner would be an ideal substitute that helps you to make accurate estimations of your income tax deductions and make the dreary process of tax-saving, more interesting. Here's how you can identify your income tax slab -

For Resident Males below 65 years of age and HUFs (Hindu Undivided Family)

Annual Income level	Income tax	Plus surcharge	Plus education cess
Upto 1.1 lakh	Nil	Nil	Nil
Between 1.1 and 1.5 lakhs	10% of income above 1 lakh	Nil	3% of income tax
Between 1.5 lakhs and 2.5 lakhs	Rs 4,000+30% of income above 1.5 lakhs	Nil	3% of income tax
Between 2.5 and 10 lakhs	Rs 24,000+30% of income above 2.5 lakhs	Nil	3% of income tax
Above 10 lakhs	Rs 2,49,000+30% of the income above 10 lakhs	10% of income tax	3% of income tax and surcharge

For Resident Senior Citizens (males & females who are 65 years or more at any time during the Financial Year 2007-08)

Annual Income level	Income tax	Plus surcharge	Plus education cess
Upto 1.95 lakh	Nil	Nil	Nil
Between 1.95 and 2.5 lakhs	20% of income above 1.95 lakhs	Nil	3% of income tax
Between 2.5 and 10 lakhs	Rs 11,000+30% of income above 2.5 lakhs	Nil	3% of income tax
Above 10 lakhs	Rs 2,36,000+30% of the income above 10 lakhs	10% of income tax	3% of income tax and surcharge

For Resident Females below 65 years of age

Annual Income level	Income tax	Plus surcharge	Plus education cess
Upto 1.45 lakh	Nil	Nil	Nil
Between 1.45 and 1.5 lakhs	10% of income above 1.45 lakhs	Nil	3% of income tax
Between 1.5 lakhs and 2.5 lakhs	Rs 500+20% of income above 1.5 lakhs	Nil	3% of income tax
Between 2.5 and 10 lakhs	Rs 20,500+30% of income above 2.5 lakhs	Nil	3% of income tax
Above 10 lakhs	Rs 2,45,000+30% of the income above 10 lakhs	10% of income tax	3% of income tax and surcharge

To illustrate the table, we shall calculate the income tax to be paid by a woman whose taxable income is Rs 2,40,000.

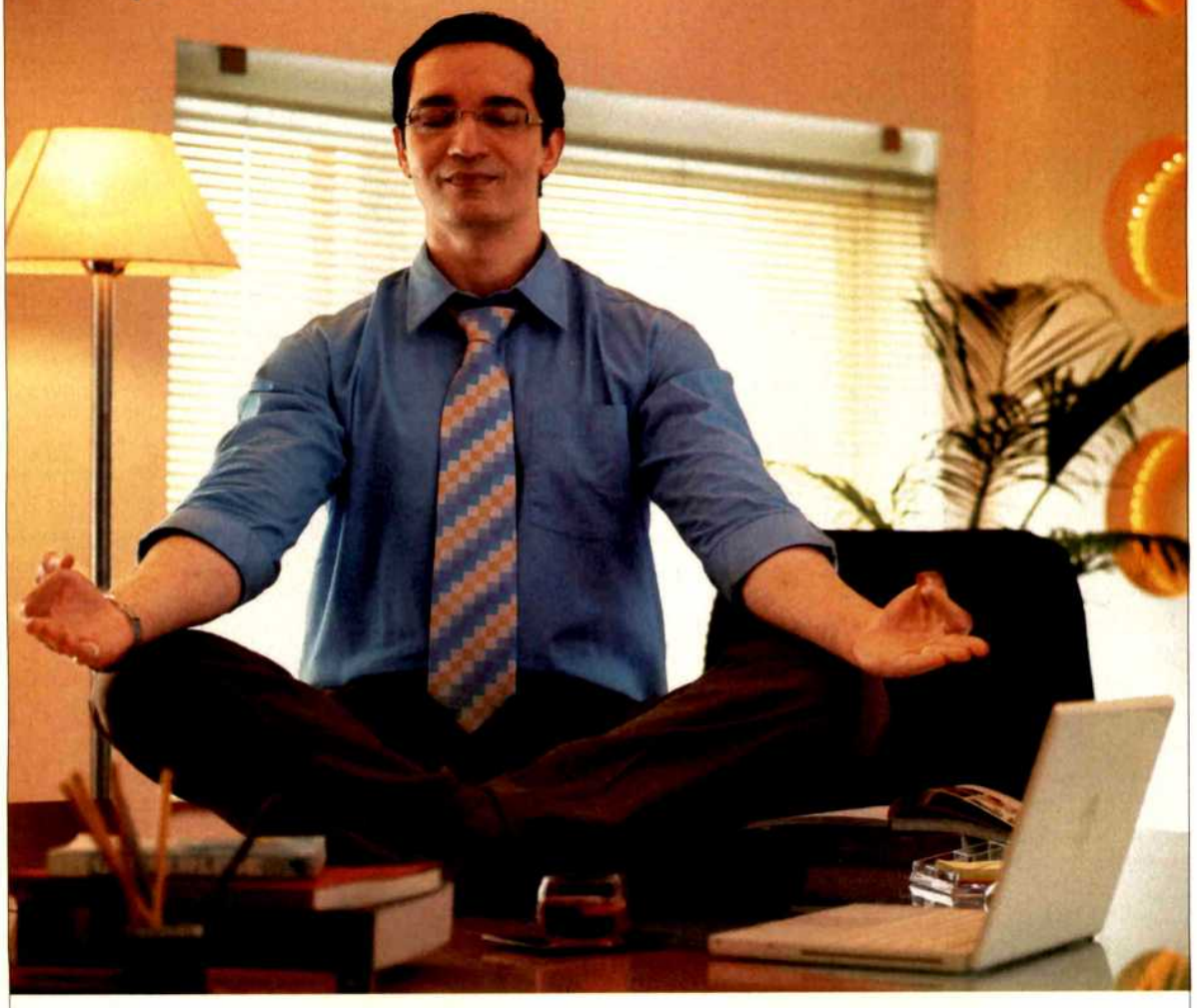
**Going by the Income Tax Slab given above, the first Rs 1,35,000 is not viable for tax*

**The next Rs 15,000 is taxable at 10% i.e. Rs 1,500*

**The remaining Rs 90,000 is taxable at 20% which is Rs 18,000. Hence, the net Income Tax payable is Rs 1,500 + Rs 18,000 = Rs 19, 500*

This easy and 'do it yourself' process helps simplify your tax liability. So depend on the Ready Reckoner to kickstart your prudent tax-saving path.

Give your employees peace of mind



Presenting LIC's Critical Illness Rider for Group Insurance Schemes.

LIC's Group

CRITICAL ILLNESS RIDER

Ensure your employees get the financial security when they need it most. So they can continue to be happy, healthy and productive.

- Minimum claim of Rs.50,000/-
- Maximum claim of Rs. 20/- lakhs
- Diagnosis report is the only document required for disbursement
- Enjoy group benefits at low cost
- Coverage available against 8 major illnesses - malignant cancer, major burns, stroke, kidney failure, coronary bypass surgery, heart attack, surgery of the aorta, myocardial infarction and heart valve replacement.

LIC

भारतीय जीवन बीमा निगम

LIFE INSURANCE CORPORATION OF INDIA

Visit us at: www.licindia.in

Insurance is the subject matter of solicitation.

For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale. Mail your queries to: co_pgs@licindia.com or SMS 'group' and 'your city name' to 56677.

LIC/P2/07-08

Advertorial

Tax Planning with Life Insurance

Ajay Seth,
Director - Legal & Compliance, Max New York Life Insurance Co. Ltd.

Tax-planning refers to designing of annual Investment and expense plan of an individual in a way so as to reduce his/her tax liability, by taking maximum advantage of permissible tax deductions and rebates available on stipulated tax-saving investments as per the provisions of the Income Tax Act.

Tax planning is critical necessity for everyone, salaried class in particular and can be done in three easy steps:

1. Compute your liabilities and long term objectives

2. Quantify your need and adjust them with inflation and desired surplus

3. Decide on the strategic, systematic and diversified portfolio.

Section 80C of the Income Tax Act allows certain investments to be tax-exempt. As of now, one can save reduce his/her taxable income by up to Rs.100,000 by investing in various tax-saving investment avenues.

Apart from investments, one can also reduce his/her tax liability through other avenues such as Medical Insurance Premia (Section 80D), repayment of the housing loans (Section 80C), repayment of education loans (Section 80E) and donations to registered institutes (Section 80G), to name a few.

Most popular investment avenues are the traditional Public Provident Fund (PPF) and National Saving Certificate (NSC).

These traditional investments, though still popular give moderate returns and have long lock-in periods. For example, National Savings Certificate provides eight percent interest and has a lock-in period of six years. Public Provident Fund promises returns of approx 9.5% but has a lock-in period of 15 years.

Equity-linked savings schemes (ELSS) are a good option to consider for those with an appetite for risk.

In this scenario, coupled with increasing risks and health problems, one would say it to be prudent and wise to do tax planning in instruments with built-in benefits of covering life and health. Life insurance products offer such benefits along with investment returns.

Ironically, insurance is probably the least understood protection cum savings tool. An insurance policy offers much more than just tax planning and investment returns. It offers you the ability to plan for unforeseen events that could affect your family's financial condition adversely. Life insurance should ideally be bought by every individual, keeping in mind the required savings, long-term financial goals and tax planning. One should also be equipped with adequate medical cover and a retirement plan.

Currently the market is offering traditional products as well as Unit Linked Insurance Plans (ULIPs). You can choose the product based upon specific objectives like saving for child education and marriage, retirement planning, mortgage cover, money back, health expense cover, etc. Insurance schemes with ULIPs also offer benefits of investments into diverse funds.

Interestingly, besides tax saving and life cover advantage, a unit linked life insurance investment is more customer oriented. It offers flexibility of unlimited switches, investing more money through top-up premiums, making withdrawals and exercising surrender options as per the guidelines.

For instance, as a parent along with life cover, you can invest more in equity-oriented fund at an early stage of for your child's education. As your plan nears the end of its tenure, you can shift your money to a debt option. To mitigate the risk of volatile market on your returns from a ULIP, one can opt for monthly modal premium which works like SIP.

The market also offers pension plans, which allow individuals to accumulate wealth in the pre-retirement period which, at a later stage, can be converted into annuity. At the time of opting for the pension plan, the policy holder defines his retirement age and at this age, he will be provided with one-third of the accumulated corpus as a lump sum payment. This lump sum payment (subject to a maximum of one-third of the corpus) is tax-free in the hands of the policyholder. The balance amount (accumulated corpus less lump sum payment) is converted into a monthly income, also known as annuity. Like any other investment, if a pension plan is taken at an early age, the returns can be much higher.

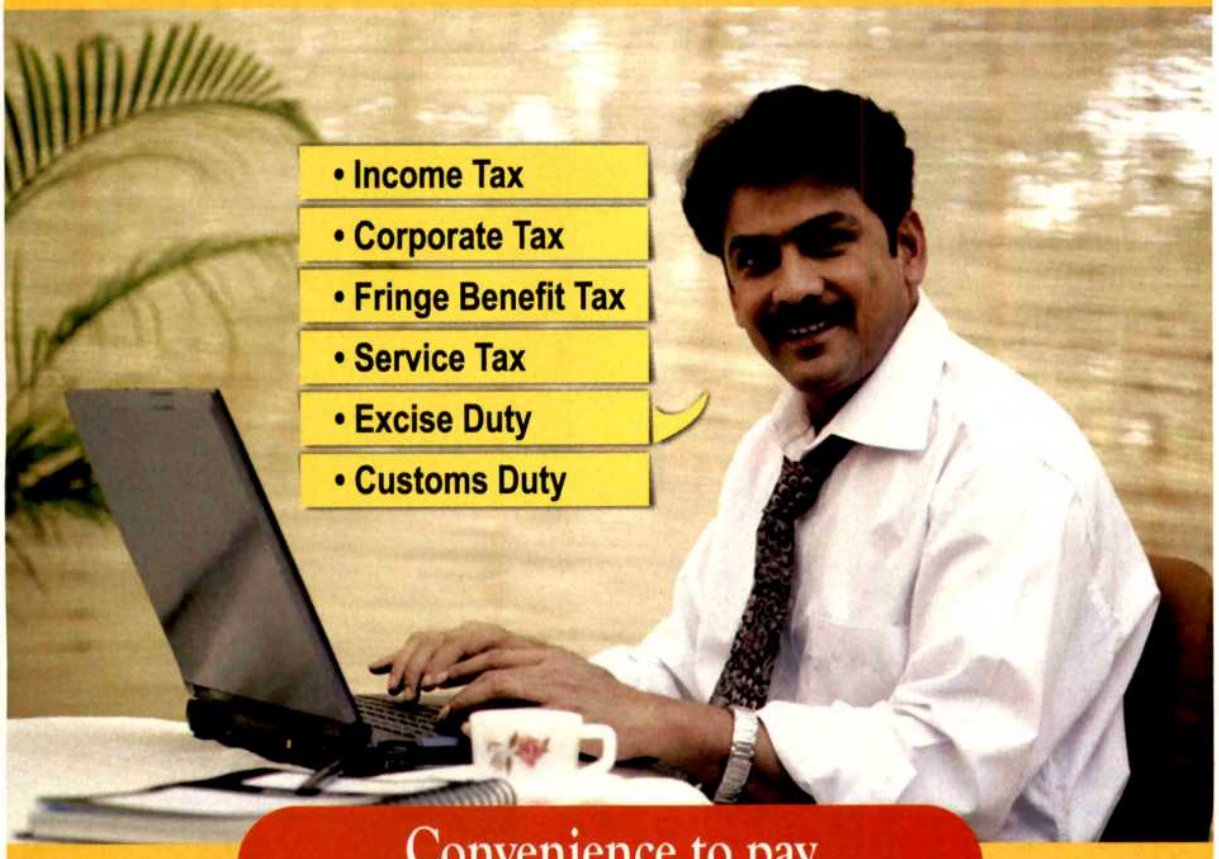
With IRDA as an attentive regulator, investments in life insurance policies are secure and are expected to generate better returns in the long run. Hence, along with tax benefits and life cover, the investor (policy holder) gets good returns, depending on his risk appetite.

As a word of caution, you must understand the working of any tax saving instrument in respect of its duration, lock-in period, charges, benefits and options available with such instrument, with the help of your financial consultant, agent advisor or available sales materials and illustrations.

Tax Planning is a tool that not only helps in reducing the tax liability of an individual, it also helps him create savings for future needs and allows the Government to earn revenues in priority sectors.

Bank of India's Online Tax Payment facility.

Pay Direct / Indirect Taxes in minutes.



Convenience to pay all your taxes and duties on time

Simply log on to our website, download forms for hassle-free payment of all your personal / corporate taxes and get an instant online receipt.

Please quote PAN / TAN on challans.

बैंक ऑफ़ इंडिया
Bank of India

Relationships beyond banking.

Visit us at www.bankofindia.co.in

* Conditions apply

SMS "BOI <city>" to 57575 e.g. "BOI Mumbai". Call Centre: 022 4091 9191.

AVIAN FLU

Dangerous Mutations

Effects of the Avian Flu on humans are beyond just monetary losses

ON THE SPOT: Preventing spread of the virus in poultry reduces its chances to mutate

SUGAR TASTES SWEET IN MANY FORMS, BUT FOR many biologists it is like a bitter pill. For a long time, biologists avoided working with sugars because they were too complex. When Ram Sasisekharan, now professor of Biological Engineering at Massachusetts Institute of Technology (MIT), started work on sugars in 1990s after his PhD, colleagues had told him that he was entering into difficult terrain. But soon he developed methods to sequence sugars quickly, thereby also founding a company called Momenta. But now his work on sugars has given us key insights into one of the most feared diseases in the contemporary world: Avian Flu.

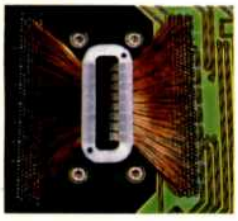
To most epidemiologists (those who study the prevalence of illness in populations), this piece of research would have come as a pleasant surprise. All epidemiologists think that Avian Flu is one of the most serious global disasters waiting to happen. The disease normally spreads only from bird to bird, but rarely from bird to human, and has never moved from human to human. But what if the virus undergoes mutation? Mutation — changing forms of the genes slightly — is the only pastime of the virus, apart from reproduction. How long do we have to wait before human to human transmission becomes reality?

In the absence of knowledge, we might think that this day could be tomorrow. We did not fully know how and why the virus infects human beings in some cases. Sasisekharan and his colleagues at MIT now show one reason, or at least the reason why they do not infect humans easily. Certain receptors are necessary for the virus to bind to the respiratory passages of the host (humans or birds). So far, we have known that the virus binds to a kind of receptor called 2-3 glycan in birds. Human beings have a different kind of receptor called 2-6 glycans, which is slightly different in chemical terms.

So, the virus has to be able to bind to a different kind of receptor in humans to cause the disease. "There is a critical difference between the viruses that infect human beings and birds," says Sasisekharan. "This difference is in the

SCIENCE BUZZ The fortnightly update on innovations and tech policies

Chippin' Polymer



Researchers at Rensselaer Polytechnic Institute and Polyset Company have developed a new polymer called polyset epoxy siloxane (PES), which can drastically reduce the cost of chip manufacturing. PES dries and hardens, at temperatures about 35 per cent cooler than the polymers currently used to make the redistribution layer (a film on the silicon wafer that protects the chip from different environmental and mechanical factors). The need for less heat translates into lower overhead costs for manufacturers. These factors, amongst others, make PES a promising candidate for redistribution layer application and UV imprint lithography, an upcoming chip manufacturing process.

Small Hearts

A Hopkins team found that by

combining coronary artery bypass grafting (CABG) and surgical ventricular restoration (SVR) in patients with advanced heart failure, the likelihood of subsequent heart problems is reduced to 24 per cent, compared to 55 per cent in those undergoing CABG alone. In SVR, surgeons cut open the left ventricle and sew it back together to more closely resemble a smaller, normally shaped heart. Remodelling the heart to restore it to its normal, elliptical shape, lowers pressure in the heart cavity, hence reducing the amount of energy needed by the muscle to keep pumping.

Giant Accelerator

European Space Agency's orbiting

observatory, Integral, has made the first discovery of highly energetic X-rays emerging from the Ophiuchus galaxy cluster, one of the brightest in the sky at X-ray wavelengths. The X-rays detected by Integral were too energetic to originate from motionless hot gas inside the cluster. This implies shockwaves must be rippling through the gas. These observations make Ophiuchus a giant particle accelerator (a device that uses modulated electric fields to propel electrically-charged particles).

HOW THINGS WILL WORK

When Muscles Form The Skeleton

SURE SUPPORT: Development of bioartificial organs, such as the heart, assures no rejection after transplant

IN A WORLD OF SHORTAGES, IT IS NOT surprising to see the human heart in particularly short supply. Around 22 million people in the world have heart failure, and many of them do not get replacements. Those who do get a transplant live through the problems of rejection by their bodies. Probably in 5-10 years, they may not have to.

The first steps towards making spare hearts — or spares of any organ — have been taken recently. Scientists at the University of Minnesota and Massachusetts General Hospital have developed an early version of what artificial hearts can look like. They stripped away the cells of a heart, re-seeded it with other heart cells, and then gave it conditions that mimic those of a heart. Within eight days, it had started beating with 25 per cent of the power of a fetal heart.

This work was published only a week ago and had the power to shock even the researchers. Scientists will use this research as a platform to develop artificial hearts that do not need drugs to stay inside their hosts. Current artificial hearts in use — sanctioned only two years ago — are totally artificial and are run by rechargeable batteries. The ones being developed now are bioartificial. They will be accepted readily by the host's body.

In the future, if you're in need of a transplant, bioengineers will use the scaffolding from your heart to grow stem cells. The scaffolding is the matrix on which the cells grow, and will not be rejected by the host's immune system. The resulting heart will not have cells from any other person. This principle can be used to develop other organs as well.

BLOOMBERG

THE ONLY WAY: Tamiflu, if administered in the first 48 hours, represses symptoms

shape of the receptors to which the virus binds."

Sasisekharan's research, published only three weeks ago in the journal *Nature Biotechnology*, is somewhat reassuring in the wake of Avian Flu epidemics like the one raging in West Bengal at the moment. It shows that while the virus can indeed mutate to infect humans, it is not easy because it has to mutate twice: one to bind to a chemically different receptor, and second to bind to a receptor of a different shape (an umbrella shape in the case of humans instead of a cone shape in birds). If it needs to jump from human to human, it might need at least a third specific mutation. While this is possible, random events do not proceed in a certain predetermined order.

Flu is generally not regarded as a serious disease in India. Thousands of Indians probably get flu every year, but these cases are not documented like in the western countries, where it is a big burden on the population. However, studies have shown that 62 per cent of Indians by the age of 15 and 90 per cent by the age of 45 have been infected once by at least one influenza strain. If there is a global epidemic of influenza, there is no reason why India will not be spared. The global influenza epidemic of 1918 killed 7 million people in India, which was 2.5 per cent of the country's population at that time. An Avian Flu pandemic can wreak havoc.

The 1918 epidemic killed around 60 million people around the world in two years, which makes it one of the worst global disasters in human history. The worst disaster ever is another infectious disease, small pox, which killed between 300 and 500 million people in the 20th century, far more than the World Wars. Epidemiologist Larry Brilliant, the current google.org director who played a major role in eradicating small pox and a minor role in the film *Hare Rama Hare Krishna*, thinks that Avian Flu has a similar potential to kill if it becomes a global pandemic. "The world as we know it would stop," he had told an elite gathering of world technology leaders at the TED conference in California a year ago. And Brilliant is not alone in this line of thinking.

So while Sasisekharan and his colleagues have shown that it is difficult for the virus to infect humans, they have also shown how it does so. There are many forms of the Avian Flu virus and not all of them are dangerous to humans. The strain called H5, which normally infects only birds, is extremely dangerous to human beings in the rare occasions when it infects humans. We now know that it is the shape of the receptor that determines this infection. This knowledge would be invaluable when designing a vaccine. Currently, Sanofi Pasteur, the vaccines division of France-based pharma major Sanofi-Aventis, claims to have a vaccine — the US Federal Drug Administration had cleared it for manufacture last year — but it is not supposed to be foolproof.

So while we wait for better vaccines to be developed, rapid isolation of the sick is the only way to prevent spread of infection in human or animals. The best example is the control of multi-drug resistant staphylococcus infection in Holland, Belgium and Denmark, the only countries where this disease rate has come down. Larry Brilliant is now working on the development of an early warning system to contain infectious disease outbreaks.

Drugs form the second line of defence. For birds, emantidine is the drug of choice, but low dosage in China is apparently making the virus resistant to this drug. It has to be given within 48 hours of the disease symptoms manifesting, a difficult proposition in India. For humans, the drug of choice is Tamiflu. This drug also has to be given within 48 hours to be effective. Once again, it is not easy to implement this in India.

Meanwhile, scientists hope that the virus does not mutate enough for it to spread from human being to human being. This may not be the case if the virus spreads in birds. "The more the virus spreads, the more chances it has to mutate," says Shahid Jameel, virology group leader at the International Centre for Genetic Engineering and Biotechnology in Delhi. "So the current epidemic is worrisome."

P. Hari in San Francisco with inputs from Manashwi

COMPONEX NEPCON India 2008

13th International Exhibition of Electronic Components, Materials & Production Equipment.

20-22 Feb, Pragati Maidan, New Delhi

– Where your business circuit completes +

Others are already in action.

Where are you?

This is your chance to keep abreast with the latest technology.

The buzz has already spread, here is a one-stop solution for you that provides unparalleled opportunities to showcase the latest solutions of the key players in the industry.

Mark your 2008 calendar for the FIRST AND THE LARGEST electronic components exhibition of the year - COMPONEX NEPCON INDIA 2008 from 20th to 22nd Feb. Get to know the latest!

COMPONEX NEPCON INDIA 2008 is the largest trade show for electronic components.

Country Pavilions: Taiwan, China, Singapore, U.K.

Various countries from all over the world are participating: Japan, Korea, Hong Kong, Malaysia, Germany, USA, Switzerland, Czech Republic.

Indian Companies from Delhi & NCR, Mumbai, Bangalore, Hyderabad, Chennai, Chandigarh, Ahmedabad, Pune.

Exhibition is spread across the area of 11000m².

Our show is supported by leading media houses and the key associations of the industry.

We provide exciting visitor services.

VENUE PRAGATI MAIDAN | **HALL NO.** 2, 3, 4, 5 & 6 | **ENTRY FROM** GATE NO. 2

Exhibitor's Profile:

• Manufacturers and production of electronic components • SMT equipments, material, components and suppliers • Semiconductors • Sensors and Microsystems • Electro-mechanical components and fixing technology • Passive components • Subassemblies and Subsystems • Displays/Display manufacturers • Production technology and logistics for semi-conductors • Production technology and logistics for Microsystems • Production technology and logistics for circuit boards and switches • Production technology and logistics for subassemblies • Modules and Hybrid • ED/EDA and measurement & testing technology • Operating resources and production subsystems services

DATE 20th-22nd FEB

To register now, log on to ***www.componex-nepcon.com*** and for further queries, Email *at* ***info@componex-nepcon.com***

Trade Media Partners: Electronics For You • Tender World • Electrical & Electronic World; Official Show Daily Partner: electronics maker; Official Travel Partner; Official Online Media Partner: Alibaba.com; Preferred Airline: Jet Airways; Show supported by: IMDA, SMTA, CEAMA, TEMA, CEIEC

Reed Exhibitions India

11th Floor, Building No. 9-A, DLF Cyber City, Phase-III, Sector 25-A, Gurgaon 122 002, Haryana (India) • Tel: +91 124 4686 300, +91 124 4686 327 (D). Fax: +91 124 4686 309

Organised by: Reed Exhibitions

SYNTHETIC BIOLOGY

Creationism

Creating life from mere chemicals is no longer out of reach for humans

At the worst of times, Craig Venter is a good scientist and a ruthless businessman. At the best of times, he is a good scientist and a great visionary. Four years ago, when the 61-year-old veteran biologist visited India, he spoke to scientists about his vision to create synthetic organisms and use them to solve the problems of the world. On 24 January, scientists in his institute, the eponymous J. Craig Venter Institute (JCVI) in Maryland, published the synthesis of the entire genome of a bacterium. It is the birth of a new science called synthetic biology.

This fledgling science has had a few earlier births. This term had been used earlier to describe biology that is holistic, combining inputs from many different fields of enquiry. In the past decade or so, it has been used to describe creating parts of life — bits of DNA, for example — artificially, leading up one day to create an organism. Many scientists in labs around the world have been creating portions of genes or some genes artificially. No one has so far tried seriously to create an entire organism on their own. Except Venter, that is.

PIECING IT TOGETHER: Synthetic biology aims to create organisms from scratch

KISHORE DAS

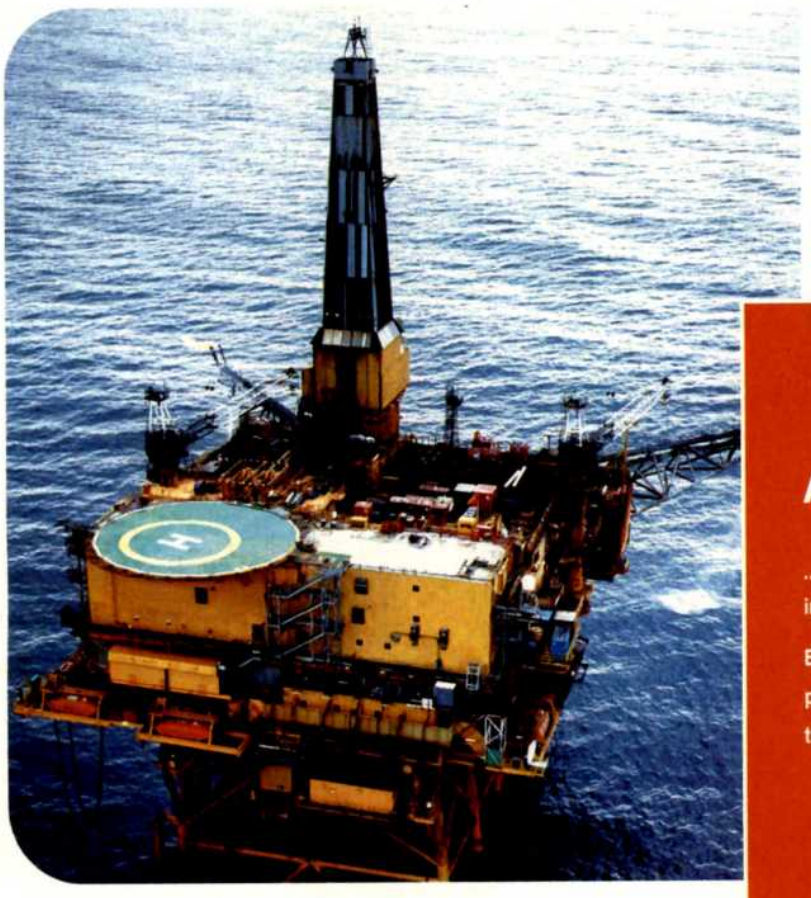
Craig Venter had come to this stage with a fair share of controversies. In the late 1990s, he had pioneered a shotgun approach to DNA sequencing, which speeded up the attempts to sequence the human genome. He then founded the company Celera Genomics, from where he was forced to leave because of differences with his colleagues. He left with a large fortune in terms of stocks. He then used this money to fund JCVI. It is this institute that created the entire genome of the bacterium Mycoplasma genitalium JCVI-1.0. The genome was synthesised using, as Venter put it, chemicals from four flasks, the four building blocks of DNA.

The aim of JCVI is to get an artificial working bacterium, and it hopes to achieve this in three steps. Last year, it had transferred the entire genome of one bacterium into the cell of another, and made it work too. That was the first step. The second step, of synthesising an artificial gene, has been accomplished now. The third step is to transfer this gene into a cell and make it work like any living bacterium. If it does, JCVI would have created the first artificial life. It would probably not be long before Venter announces the achievement of this third stage too, because he has already shown it to be possible in principle.

Venter's aim is to make these bacteria do useful work. His institute will try to create all sorts of bacteria, but the most important goal for him is to create bacteria that will fight global warming. For all his faults and controversies, Venter remains a staunch environmentalist. In an extreme form, his aim is to make these bacteria use up atmospheric carbon dioxide and generate hydrogen. That is some way off, if at all, but Venter is already on his way in creating organisms that can utilise coal better, and thus reduce the emissions.

In the future, probably 30 years from now, we would look back at this invention like we do now at the first computer: giant and expensive machines. In 30 years, synthetic biology may have changed the world far more than computers have done so far.

P. Hari
in San Francisco



ELGI

Think Long Run

AIR POWER...

... enabling pumping operations in a 400 meter deep oil rig.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/01

Our Financial Plague

by paul samuelson

WARS AND REVOLUTIONS ARE EXCITING. PEACEful, prudent prosperity is oh so dull. That's the way macroeconomics seemed to evolve between 1980 and 2005, both in America and around the globe. How deceptive.

1. Inflation allegedly had been tamed at the cost of only two short back-to-back recessions in the 1980-81 period, when Paul Volcker ruled at the Federal Reserve.

2. This was followed by the Wall Street stockmarket bubble that Merlin the Magician, in the person of the wily Alan Greenspan, allowed to fester in its happy way.

The inevitable happened just when George Bush captured the presidency in 2000, and when Republican majorities reigned in both houses of Congress.

Bush's "compassionate conservatism" translated into compassionate tax giveaways to the plutocrats, along with new deregulating of corporate accounting.

Cynics in Wall Street called it the new age of Harvey Pitt. Pitt was appointed to be chairman of the Securities Exchange Commission precisely because he had been legal counsel to the Big Four accounting firms.

Pitt's first speech proclaimed the new day of a "kinder SEC".

When fear of risk stifles investment and consumption, fiscal budgetary spending may provide some respite

Lawyers, accountants and CEOs caught Pitt's innuendo: Reach for that dubious tax-avoidance loophole, and the IRS will not mind. Conceal losses and exaggerate profits by various off-balance-sheet devices that violate strict accounting rules legislated in the years before Bush. Why rehash this somewhat old hat history? For one good reason.

Today's global bankruptcies and macroeconomic quagmires trace directly to the financial engineering shenanigans that the Bush-era officialdom both countenanced and encouraged. Young George Bush did not only make a mess of Mideast politics, the Bush-Rove version of plutocratic democracy accomplished the singular alchemy of converting a usual plain-vanilla boom-and-bust in housing into an old-fashioned, hard-to-manage, worldwide financial panic.

This time America was the Eve in Eden who tempted Swiss, German and UK bankers into eating the evil apple of non-transparency and unconscious gross over-leveraging.

Where were Bank of England's Mervyn King and the heads of the European Central Bank and the Bank of Japan while the disasters were unfolding?

Just like the usual mediocre CEOs, world leaders never focused on the dangerous winds that were beginning to blow.

If today were 1929, the present financial epidemics would be the prelude to a worldwide depression. Fortunately, economic history has taught us a lot since then.

Central banks are primarily the lenders of last resort. As Kipling would put it, "What do they know of money if only money they know?" When stocks and bonds are burning up or freezing down, preoccupation with inflation targeting, Gov. Bernanke's initial mantra, is not nearly enough.

Main Streets everywhere on the globe are waiting anxiously to see how governments cope with the whirlwind that excessive deregulation sowed: lost jobs; depleted saving nest eggs; high energy and raw material prices; negative capital gains on homes and diversified portfolios. Of course, some of these trace to one's own sins of omissions and commissions. Some do arise from supply shocks: from interruptions in Mideast oil drilling, and from inflation of raw materials and foodstuff arising from new Chinese demands for better living standards. But more stem from the faulty social housekeepers who voters, rich and poor, elected to the highest offices in the land.

The old slogan, "It's the economy, stupid," finally penetrated into the White House. On schedule, with the speed of light, President George Bush, who had been taught better at Yale, seriously proposed making permanent the rash tax giveaways and deregulations that have brought on today's economic scandals. Discredited, radical-right supply-siders from President Reagan's first-term circus came out of retirement to ask again for no taxes on the earnings of capital in favour of reliance for vital government services on flat taxes on wage earners.

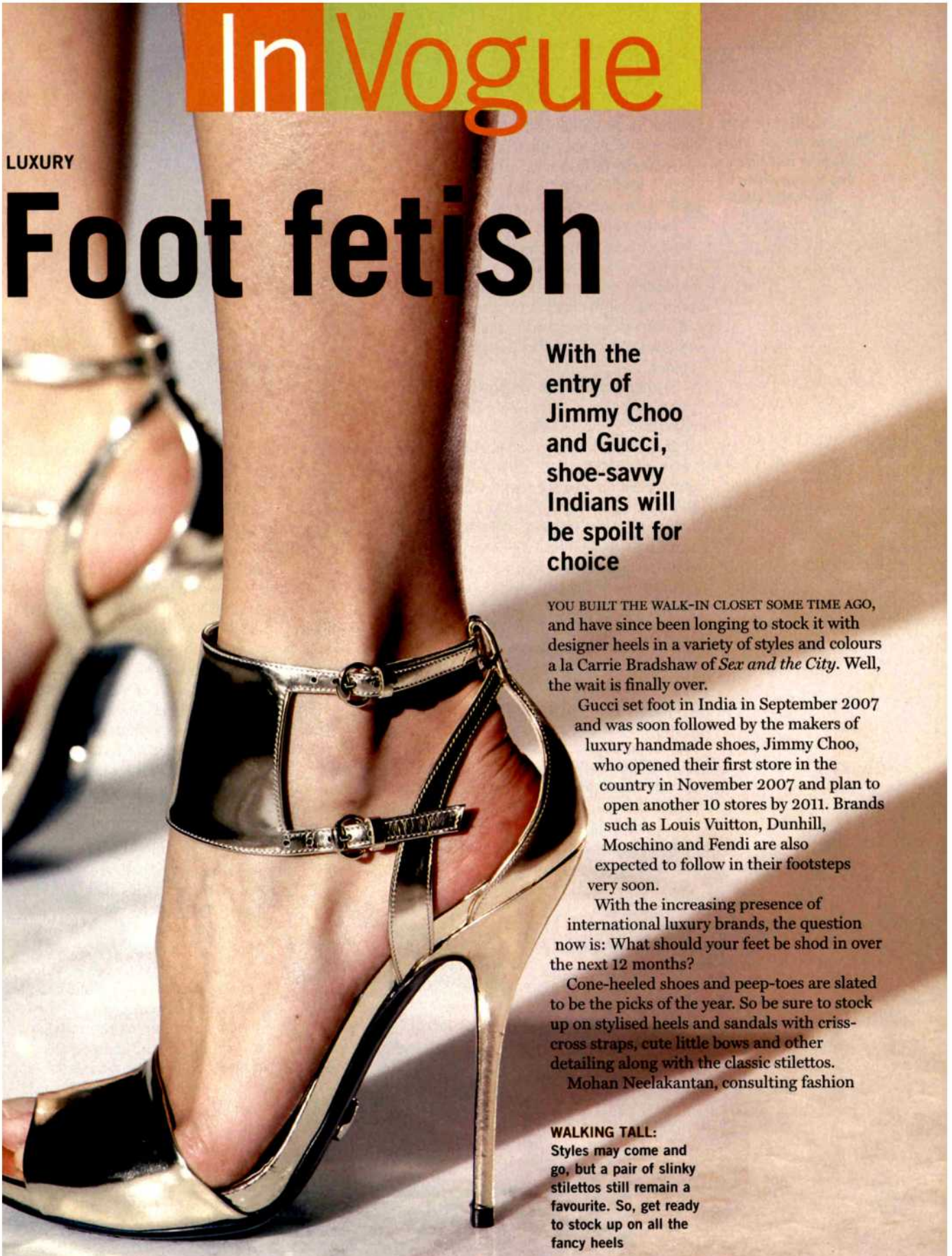
When fear of risk stifles both investment and consumption spending, sensible and measured fiscal budgetary spending is the prescription to augment central banks' lowering of interest rates.

What follies electorates perpetrate can be offset in future elections. However, it is commonplace that today money buys votes legally. Therefore, realists will temper their optimism with guarded caution.

(C) 2007 Tribune Media Services

LUXURY

Foot fetish



With the entry of Jimmy Choo and Gucci, shoe-savvy Indians will be spoilt for choice

YOU BUILT THE WALK-IN CLOSET SOME TIME AGO, and have since been longing to stock it with designer heels in a variety of styles and colours a la Carrie Bradshaw of *Sex and the City*. Well, the wait is finally over.

Gucci set foot in India in September 2007 and was soon followed by the makers of luxury handmade shoes, Jimmy Choo, who opened their first store in the country in November 2007 and plan to open another 10 stores by 2011. Brands such as Louis Vuitton, Dunhill, Moschino and Fendi are also expected to follow in their footsteps very soon.

With the increasing presence of international luxury brands, the question now is: What should your feet be shod in over the next 12 months?

Cone-heeled shoes and peep-toes are slated to be the picks of the year. So be sure to stock up on stylised heels and sandals with criss-cross straps, cute little bows and other detailing along with the classic stilettos.

Mohan Neelakantan, consulting fashion

WALKING TALL: Styles may come and go, but a pair of slinky stilettos still remain a favourite. So, get ready to stock up on all the fancy heels

A SURE SHOO-IN: This year will see luxury shoes in bold colours and fine detailing hit the Indian market

editor for ELLE and NDTV Goodtimes, says that now is a good time to pick up a pair of the perennially in-fashion black pumps, as the luxury fashion brands do not carry their collections into the next year.

At the moment, it is the peep-toes and wedge heels, which were first introduced in the 1930s, that are making a serious fashion statement on the shoe racks. Jimmy Choo is offering architectural heels such as a mini 35-mm wedge heel or the super-high 120-mm stilettos combined with chain insets and stones.

If you are a heels aficionado but find them punishing at work, you may grab a pair of short Kitten-heeled shoes. Slender and slightly curved, they give you enough raise and serve you well through a hard day's work and are perfect for a coffee rendezvous also. For those who prefer comfort, the flat ballets are not going out of fashion — yet. Ballets, which made a huge comeback the past year, will continue be available in a wide range of colours, enhanced with designs and embellishments.

And, if retro is more your style, a pair from Gucci's range of sandals, complete with stilettos and high heels in black, pink as well as silver mirrored leather, is bound to catch your eye. Team them up with sharp and elegant skirts and pants or even with embroidered or patchwork dresses for a complete retro look. While stocking up on strong colours such as yellow and pink for the 1950s look, don't forget to indulge in the traditional black and white, which always come to the rescue.

As far as colours go, the palette this season will be dominated by a whole lot of shimmering metallic colours as well as silver, bright yellow and blues combined with exotic skins. But the colour that will define the footwear look of 2008, according to experts,is white, white and still more sparkling white!

Men's fashion footwear, typically, will see less innovation this year. The lean elongated shoes are likely to dominate men's shoes style, albeit with a rounded toe. However, the white and silver colours will bring inject some amount of cheer into the otherwise drab shoe rack dominated by shades of black and brown.

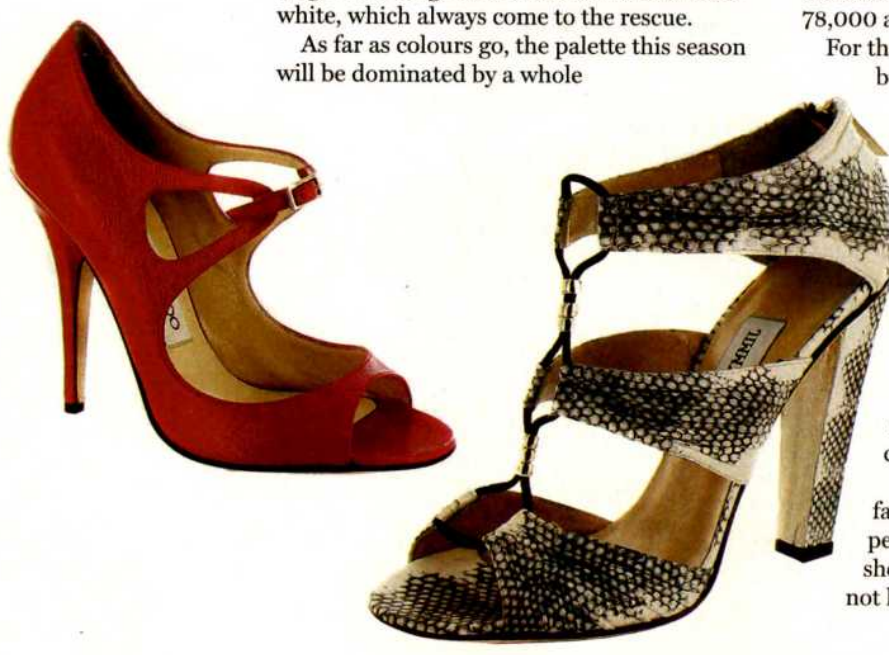
But it's not just the heels that are steep. "The demand for luxury shoes is high and their prices are likely to go up in the next couple of years," says Angelique O'Brien, business head, Jimmy Choo in India. Jimmy Choo shoes in India are priced between Rs 20,000 and Rs 78,000 a pair.

For those looking for something fashionable but less expensive, there are the high-street fashion brands such as Aldo, Mango and Nine West, that offer shoes starting at Rs 1,500 and have a style range that includes boots, ballet flats, wedges, stilettos and so on, in a variety of tones and embellishments.

For those, who find think that shoes make the ultimate style statement, Neelakantan has some words of encouragement, "A good shoe is like an investment, so let's not cringe on prices."

So go on and pick up that pair of fancy heels but remember to save a penny for Carrie Bradshaw's favourite shoe maker — Manolo Blahnik, who is not here yet.

Meghana Biwalkar



SPACE TRAVEL

Out of this world

THERE IS NOTHING better. The dream of taking a commercial flight into space got closer to reality last week. Virgin Galactic unveiled the design of its space ship launch vehicle to the public and informed that it will be ready soon.

That must have tickled the hearts of the 85,000 people who have paid Virgin $200,000 for a seat on SpaceShip-Two for a peep into the space and a view of Earth from 100 kms up. Virgin promises to start the ride in 2009.

Virgin Galactic is training its would-be 'space tourists' at the NASTAR astronaut training facility at Philadelphia. Their training includes acclimatisation to G Forces that pressure the body while crossing the Earth's atmosphere.

Richard Branson, the maverick British billionaire and the promoter of Virgin Galactic, believes that people will be more sensitised to the Earth's fragility once they see it from a distance. He wants to use his spaceliner to launch satellites that will host internet servers, which will reduce the negative environmental impact of a proliferating internet.

If Branson can help it, he will have you fly long distances on the Earth pronto taking you via space. Imagine being able to reach anywhere on Earth within an hour or two.

Get set to say, "Shoot me up, Richie!"

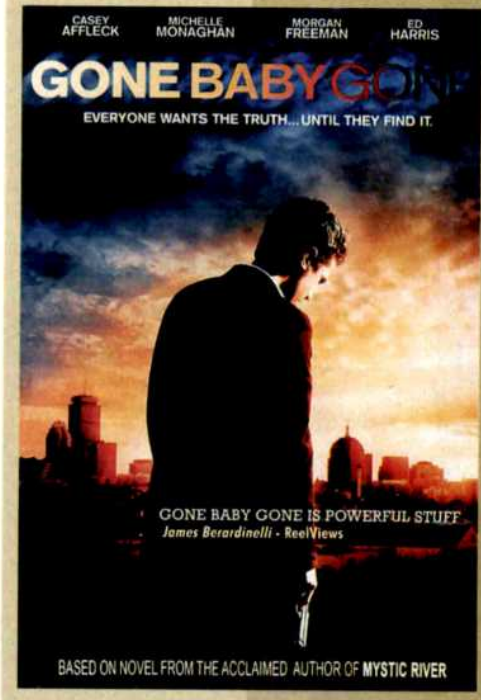
Feroz Ahmed

SPACE DREAMS: Virgin Galactic's unveiling brings space travel to the common man

Automated Masseur: Priced between Rs 1 lakh and Rs 4 lakh, these chairs by Osim of Singapore promise to remove your tiredness

Entertainment

GONE BABY GONE

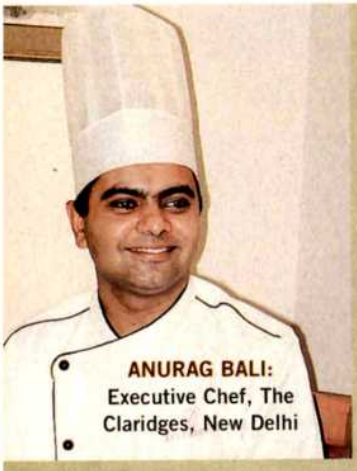


Director: Ben Affleck
Cast: Casey Affleck, Morgan Freeman, Ed Harris

BETTER KNOWN AS AN actor (*Good Will Hunting, Pearl Harbour*), Ben Affleck makes his directorial debut with *Gone Baby Gone*, a film adapted from the Dennis Lehane thriller. The film confirms Affleck's talent as a story teller. He received an Oscar for co-writing *Good Will Hunting* in 1997, which also marked his debut as an actor.

Gone Baby Gone is about the disappearance of a four-year old girl from a working class neighbourhood in south Boston and the search for her by two private detectives. However, it is more than a crime thriller. Just when you think the movie is over, Affleck leaves you with a moral dilemma that you will seek to resolve long after stepping out of the theatre. What that is, we're not saying. Affleck's younger brother, Casey, gives a powerful performance as a sensitive detective. However, Morgan Freeman is somewhat wasted in the role of the head of the missing children's investigation department.

Puja Mehra



ANURAG BALI: Executive Chef, The Claridges, New Delhi

BON VIVANT

Food For Design

COOKING HAS TRADITIONALLY BEEN AN ART. BUT, for some, it is entirely a matter of science.

Culinary experts across the world are breaking down food scientifically to enhance flavours and create never-before cuisines. So, you can relish liquid nitrogen ice creams, cheese foams, deconstructed soups and salads, soufflés made without an oven, fruit caviars and solid oils.

The term molecular gastronomy came into vogue in the 1980s when Herve This, a French scientist, declared that blow torches, pH meters, and refractometers belonged as much in the kitchen as pots and pans. It has taken some time for the chemists' cuisines to really arrive on the scene, but it looks like they will be staying on the menus for some time to come.

Chefs are now comfortable using chemicals such as sodium alginate, calcium chloride, lecithin, isomalt and more to add a new dimension to their menus in terms of textures and flavours. Dry ice today is being used in a fine powder form to prepare the smoothest ice cream in minutes at the guest's table, giving an amazing twist to the entire dining experience.

Today, outstanding restaurants around the world are serving unusual dishes. Chef Heston Blumenthal of the Fat Duck in London is famous for serving a combination of caviar and white chocolate and smoked bacon and egg ice cream served with French toast and tomato jam.

El Bulli in Spain is regarded as the temple of modern cuisine for its lab-created novelties. Open only for six months in a year, the restaurant chef uses the rest of the year to experiment with new techniques and flavour combinations. The restaurant has been credited with the creation of many new food styles, such as the spherical liquid olives, fruit caviars, and chocolate air. Other popular molecular gastronomy restaurants include Alenia in Chicago and Wd-50 in New York City.

I reckon the time is not far when the same wave hits restaurants in our country and are applied to our very own cuisine, like deconstructed kebabs served with chutney foams!

REUTERS

NEW-AGE FOOD: Culinary experts around the world are breaking down food scientifically to create new cuisines

FASHION

Tennis couture

MARIA SHARAPOVA GOT more attention for her new dress at the Australian Open than for her game. Same for other tennis divas, such as Serena Williams and Ana Ivanovic. In fact, the women's section at the Aussie open was as much a fashion contest among the giants of sports apparel as it was a tennis contest.

Nike pipped Adidas in the fashion sweepstakes. Its brand ambassador Maria Sharapova's dress with pleated mesh at the front and back, and a mesh pleated ruffle at the hem was a big hit with the glamour hounds. Stella McCartney's Adidas outfit for Ana Ivanovic was appreciated for its balloon hem, but that was all.

In the men's section too, Nike's colourful outfits for Roger Federer and Raphael Nadal generated more discussion than Adidas' mostly whites for Novak Djokovic and Jo-Wilfred Tsonga.

The fashion statement of the event was made by Serena Williams, who wore shiny purple cycling shorts with a white Nike tank, which was dubbed 'the fusion statement of the Australian Open 2008'.

Feroz Ahmed

AP

BLOOMBERG

SPORTING FASHION: Nike came out tops in the fashion contest at the Australian Open

we build companies by managing careers

Search & Selection is not a mere business model for us. It is a passion that we excel in. This very drive has made us a preferred Search & Selection partner to discerning employers in India.

Our competency lies in managing careers and building companies of international repute. Within 10 years of being founded we have become a part of Randstad Holding nv, the 3rd largest staffing solutions company in the world, active in Europe, North America and Asia.

Call us to plan your next career move. Or if you are looking for that rainmaker to make the difference.

EmmayHR Services Limited
Fortune House, 25 Raghuvanshi Estate, 11-12 Senapati Bapat Marg, Lower Parel, Mumbai - 400013. India.
Tel : +91 22 4040 7777 Fax: +91 22 4040 7878
www.emmayhr.com | www.randstad.com

good
to know
you

emmayHR
a Randstad company

ILLUSTRATION: ANTHONY LAWRENCE

TECHNOLOGY

Smart pad

More and more Indians are warming up to the idea of living in fully automated smart homes

IMAGINE WAKING UP TO YOUR FAVOURITE MUSIC in the morning, window drapes being pulled aside to let the sunlight in, the airconditioner in the bedroom getting switched off as you leave the room, a coffee-maker delivering hot brew just as you reach the kitchen, washbasin and bathtub taps delivering hot water at different temperatures, the television coming on and showing news headlines — all automatically.

On your way back from office, imagine being able to use your mobile phone to raise the cooling level of your refrigerator to chill that beer you stocked yesterday, or switch on the microwave to heat your dinner. It is not science fiction. The future *is* here.

More than a hundred technophiles in India have got their homes automated. Adarsh Kaul, manager of activation for channel and retail at Lenovo India, is one of them.

Kaul was struggling with work-life balance until he watched the Disney movie *Smart House*. In the movie, a child and his widowed father win a smart house in a lottery and their lives improve dramatically. Machines ensure that the daily chores are done right on time and the father is able to concentrate on his job as well as help the child with his homework remotely.

Inspired by the movie, Kaul got a smart-home system installed at his home in Noida. All his home appliances are now programmable and networked using Wi-Fi broadband. Now, he is able to spend an extra hour at office without feeling guilty as he can video conference with his wife, children and parents anytime using just his mobile phone.

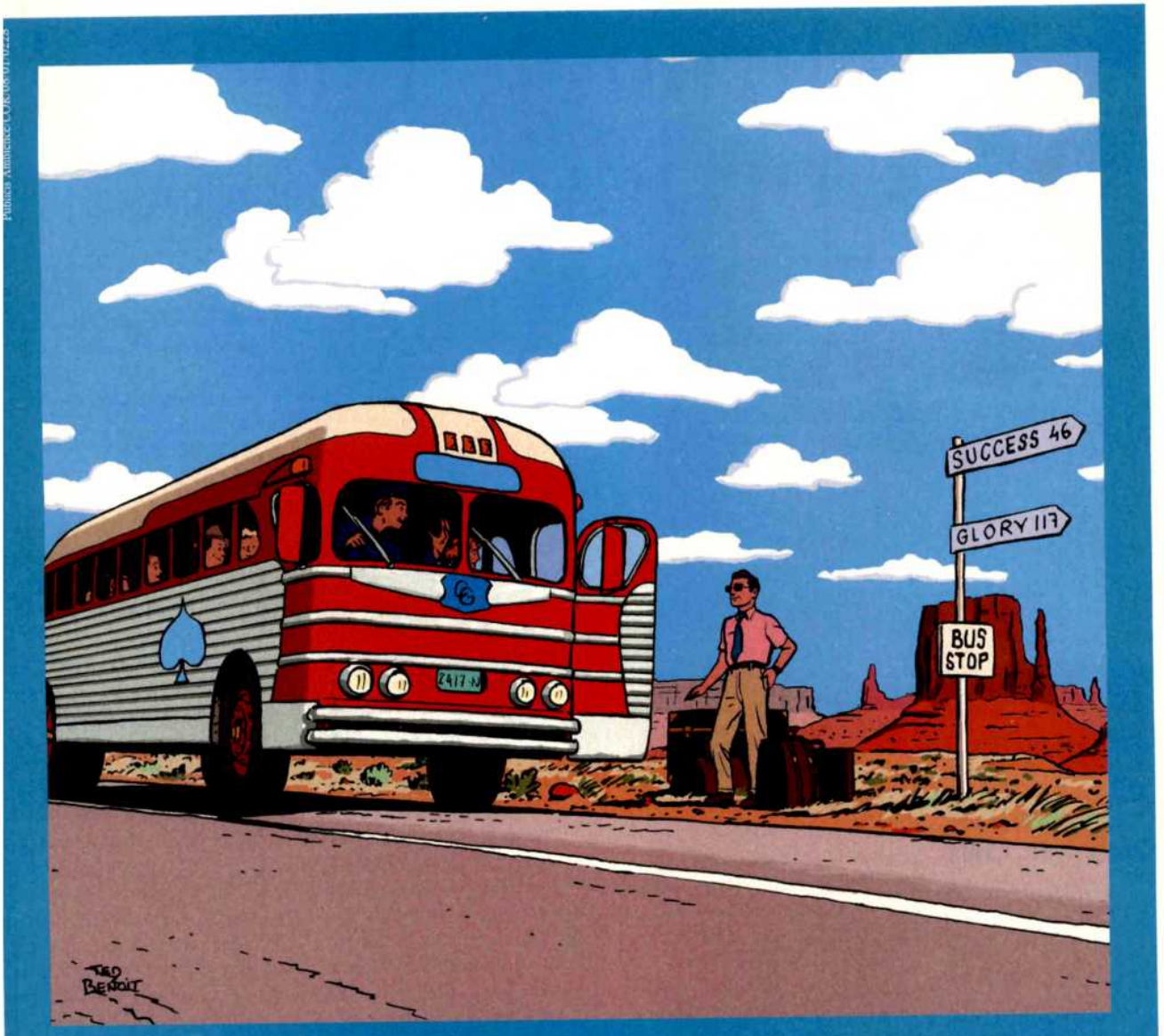
According to Vipul Jain, CEO of Unique Infoways, a Delhi-based firm that installs home automation systems created by Creston of the US, it costs about Rs 10 lakh to automate a house with 4-5 bedrooms. There are other suppliers of such equipment, too, such as China's Advantech and US's Lutron.

However, home automation is only just beginning in India. The bulk apartment builders are still waiting for this trend to catch on. Meanwhile, smart homes remain a domain of the niche builders in the metros. Also, not everybody is enamoured by automated life. The next step, some say, will be to have machines feed us, as in Charlie Chaplin's *Modern Times*.

M. Rajendran

HOME SMART HOME: It costs about Rs 10 lakh to fully automate a house

Publicis Ambience CAD/05/01/2425



If you want to work for you, work for us

TOGETHER. FREE YOUR ENERGIES

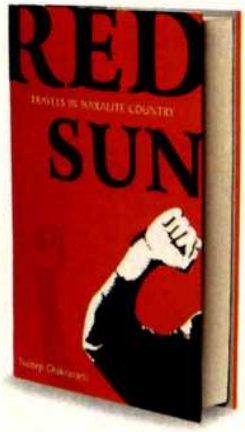
With over 17,000 employees in India, Capgemini a worldwide leader in consulting, technology and outsourcing services, wants to hire you. In a family of 80,000 employees across 36 countries and revenues of $10 billion, we help you surpass your ambitions by offering you some of the world's most demanding business and technology problems to solve. With access to international careers, opportunities to contribute to global strategies and a flexible work environment that promotes creative ideation, you have a platform for growth.

At Capgemini, we make it a policy to work closely with our clients in partnership to help them find a solution. We call this the Collaborative Business Experience®. And the results show, when both our clients and our employees prosper. So, if you want to work for yourself, come join us.

Visit us at www.in.capgemini.com/careers

Capgemini

CONSULTING.TECHNOLOGY.OUTSOURCING



Through The Red Corridor

by jayant singh

RED SUN TRAVELS IN NAXALITE COUNTRY BY SUDEEP CHAKRAVARTI PENGUIN/VIKING, PAGES: 352; PRICE: RS 495

OPPRESSION — THE WORD EVOKES A VARIETY OF sentiments, ranging from pity to serious contemplation, to indignation, right down to revulsion and a strong desire to do something about it. About 40 years ago, a few villagers in rural West Bengal — along with a clutch of young and passionate members of the urban intelligentsia, gave in to the same desire. And Naxalbari was born. A revolution of the oppressed classes named after its place of origin, 'Naxalbari' today carries connotations far different from what it did then.

Red Sun is a meticulous account of the author, Sudeep Chakravarti's travels in the prime Naxal-affected areas of the country. This includes states such as Jharkhand, Bihar Chhattisgarh, West Bengal, Andhra Pradesh, etc., which are often collectively referred to as the 'red corridor' by government officials and the media. He also travelled to Nepal, a country that has seen some serious Maoist insurgency over the past decade or so. And its 'success' in overthrowing the monarchy has only fuelled Maoist ambitions in India. But the book does more than just provide an overview of the current situation in these places.

Chakravarti highlights how Naxalism has metamorphosed from intermittent regional insurgency in the Indian hinterland to a grave national concern as it slowly spread out to other parts of the country over the past few decades. Today, Maoist presence in 14 Indian states, including Haryana, a state bordering the capital city of Delhi, is too close for comfort. Therefore, he is quite vehement in asserting that Naxalism, in the near future, could easily emerge as the single greatest impediment to India's development, ahead of even "Islamist" terrorism in Jammu and Kashmir and insurgencies in the North East.

The book is a mosaic of Chakravarti's observations and encounters as he travels from one Naxal-afflicted state to another. His conversations with the local people, small help groups involved in the education of tribals, the government officials and even active Maoists are revelatory and also, to an extent, disturbing. For instance, his descriptions of the atrocities perpetrated by Salwa Judum on the tribals in Bastar in Chhattisgarh tend to be graphic and rather dramatic. But all this does not discount the fact that he successfully puts into perspective a complex issue that, for many of us, is as disconnected from real life as space travel.

Writing about a sensitive topic such as this, a writer often stands the risk of sounding polemically biased against or in favour of the issue. Although, nowhere does *Red Sun* seem wanting in terms of the amount of research and thought put into writing it, some might just accuse Chakravarti of sounding a tad too empathetic towards Maoists and their ways of functioning. He constantly walks the fine line between revealing the State's failure to provide its people with a decent standard of living in these areas, and defending violence as a solution to their problems.

He tries hard to keep his view balanced, but the general sense of reverence in his tone towards Maoist missionaries suggests otherwise. This comes across clearly when he talks about the level of deprivation people face in Naxal-affected areas or how ineffectual the local administration here can be and how armed protest may appear to be the only solution to their problems.

Chakravarti often refers to the web log *naxalrevolution.blogspot.com* in his book, so much so that the

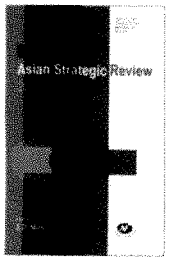
BROWSING
Ajay Gandhi
Director,
Wings Infonet

I am reading The God Delusion by RICHARD DAWKINS. The book is a comprehensive — and absolutely complete — case for the non-existence of God and the damage that belief in God has done to mankind and society over time. I read all kinds of books which include both fiction and non-fiction, especially on management and science. But I avoid self-help books and those on spirituality. I usually choose books based on reviews, browsing through bookstores and recommendations.

SUDEEP CHAKRAVARTI, began his career in journalism at *The Asian Wall Street Journal* and subsequently worked at Sunday, *India Today* and the *Hindustan Times*. Chakravarti is also a professional futurist affiliated to the World Future Society, and Editor-at-large with *Rolling Stone* in India. His debut book, the novel *Tin Fish*, was published in 2005 to both popular and critical acclaim.

reader is compelled, out of sheer curiosity, to visit the blog. The last entry is dated 23 October, 2007. In it, the blog owner confesses that the blog was a personal research project to help him understand the Maoist movement in India better. Now, after closely following it for more than a year, he has come to the conclusion that armed struggle may not be the key to a lasting solution to these people's problems and he wouldn't ever follow, endorse or recommend this path. There's an uncanny similarity between his and Chakravarti's words, or at least in the tone of their words. Both believe that there is gross inequity in the system and that there is an urgent need to change that in order to prevent violent outbursts of the oppressed classes. Then, whether it is in the form of Naxalism or something worse doesn't seem to matter all that much.

SELECTION 1



Neighbourhood Watch

IDSA ASIAN STRATEGIC REVIEW 2007
EDITED BY S.D. MUNI
ACADEMIC FOUNDATION,
PAGES: 307; PRICE: RS 795

IN A SUPER-CONNECTED WORLD, A SNIPER'S bullet in Baghdad can spike fuel prices in Bhopal. That's what globalisation does. Two otherwise random events now seem to have a cause and effect relationship. That's what the Delhi-based Institute for Defence Studies and Analyses tries to communicate through its 2007 edition of the ASIAN STRATEGIC REVIEW.

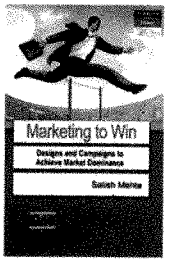
It takes a look at virtually every macro trend that the world faces today. From energy security to terrorism to military technologies, the Review charts out who the key players are, what their motivations are, how they balance (or don't balance) each other and what is to become of each of these trends. Finally, and most importantly, the Review also looks at India's role in each of these trends as well as how they can impact us.

China features prominently throughout the book. As a much heralded superpower, the Middle Kingdom is unrivalled in terms of its economic productivity and appetite. The Review presents a pattern of competition between India and its larger neighbour such as competition over regional superiority in Asia, the fight for natural resources and unresolved border problems. Simultaneously, it also outlines instances where the two neighbours are collaborating such as oil exploration, anti-terrorism and economics.

At times, the writing gets heavily academic. That is expected. The Review is a scholarly publication and does not claim to be anything else. Still, for its precise analysis and breadth of topics — it also features a country-by-country analysis of each of India's neighbours — it's an invaluable tool for policy planners and decision makers.

—Pierre Mario Fitter

SELECTION 2



A Marketing Man Introspects

NO STUDENT OF MARKETING can ever escape the question: Can he or she sell a refrigerator to an Eskimo? A task successfully achieved by James Sterling Moran, a publicity icon and a person known for pulling outrageous stunts. With the term 'marketing' being redefined almost every day and new verticals being added to the subject, a marketing job is an interesting and a challenging one even if it gets to be a little too hectic at times.

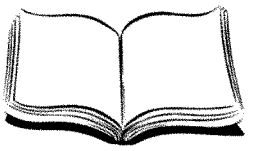
Satish Mehta's MARKETING TO WIN — DESIGNS AND CAMPAIGNS TO ACHIEVE MARKET DOMINANCE is a classic case of not being able to separate grain from chaff. In an attempt to explain what goes in to the successful selling of 'a product' — right from a pack of cigarettes to a magazine — Mehta has got mired in a heavy dose of introspection.

His dismissal of A.N. Haskar's appointment to the top posts in ITC — a great achievement by and Indian — in a just a few lines is indeed an omission of sorts. Mehta could have easily converted Haskar's experiences into at least a page or two if not an entire chapter. An interrogation and analysis of Haskar's role in changing the design and campaign dynamics of the group's products would have yielded important lessons for any student of marketing.

That said, the book is full of anecdotes that are both interesting and instructive. The salient features highlighted at end of each chapter may interest readers, even if they only find few of the chapters gripping enough to read further. A rather exhaustive index means that the book can act as a quick reference for those looking for immediate answers.

—M. Rajendran

ALERT



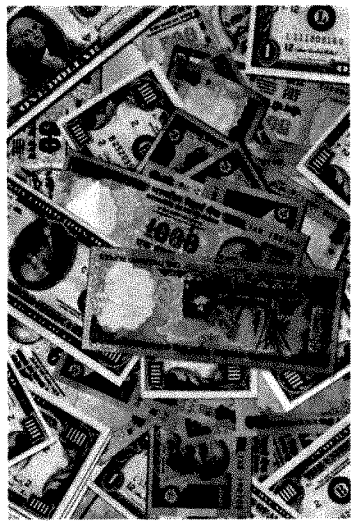
FLAT EARTH NEWS: AN AWARD-WINNING REPORTER EXPOSES FALSEHOOD, DISTORTION AND PROPAGANDA IN THE GLOBAL MEDIA

BY NICK DAVIES
CHATTO AND WINDUS

Enraged by the way the media was allowing itself to be manipulated during the build-up to the invasion of Iraq, award-winning journalist Nick Davies decided to interrogate his own colleagues. The result — a hard hitting expose of the way journalists routinely fail to question the 'earth is flat' kind of statements churned out by the burgeoning PR corps. Davies uncovered the way in which the British newspaper *Observer* was played by the CIA and MI6 to support their case in the build-up to the Iraq war.

In Favour Of Instability

WHEN THE WORLD MARKETS MELTED LAST WEEK, foreign institutional investors bolted, and Sensex collapsed. It fell far enough to persuade the remaining investors that there was no point any longer in running away. Amongst those were the FIIs that remained. Some did not need to liquidate, others decided to wait and watch, and the more intrepid ones got ready to buy when the time looked ripe. But in the meanwhile, many of those who ran suffered big losses. And the more they lost, the better the bargain those who bought from them got.



If Reserve Bank stopped supporting the Rupee and sold off its foreign currency reserves, the government could give us a tax holiday

Whether they lost or not, the FIIs that sold out were allowed to escape without any loss on exchange, for the Rupee held up like a rock. Banks hold some inventories of foreign currency, but if they had been left to themselves, they could not have coped with the flight of billions within two days. They must have called up Reserve Bank of India and asked for dollars; and Reserve Bank evidently complied. For Reserve Bank believes in stability. Letting the Rupee slide would have been a sign of instability, which in central bank jargon is a form of dementia.

Imagine for a moment, however, that Reserve Bank had refused to part with dollars when the banks ran to it for succour; what is the worst that would have happened? The dollar might have shot up to Rs 60. The Rupees that the FIIs got by selling their shares would have been converted into much fewer dollars. The sell-off led to a 15 per cent fall in Sensex. If a 33 per cent fall in the exchange rate had coincided, the FIIs would have taken a loss of 44 per cent in dollar terms. Not all would have; if they had faced a falling Rupee, some of them would have stopped selling much earlier, and Sensex would have fallen much less. Indian investors, whose investments are almost entirely in Indian shares, would have taken a smaller loss, and foreign investors greater.

So from an Indian point of view, a flexible exchange rate would have been better than the adjustable peg that Reserve Bank operates. How about tomorrow, when those timid FIIs creep back in? When they re-enter the market, their dollars would lead the Rupee to appreciate; they would have to spend more dollars for the same shares. That might put some off the Indian market. But the Indian ministers of finance and commerce have been shouting from mountain tops in Davos that India is going to go on shining and glittering forever, whatever happens to America. If they are right, there is nothing to worry about. Sooner or later, those cowardly FIIs would creep back, and share in our perennial feast.

Hence so as far as the stock market is concerned, a flexible exchange rate would be good for India. Why, then, is Reserve Bank so against it? Is a managed peg better for exports and imports? If India were on a dollar exchange standard like Hong Kong, or even on a Euro exchange standard, people would forget exchange risk and trade as readily with foreign countries as they do within India. Foreign trade would grow faster; India would become a more open country. But it would do so only if Reserve Bank burnt its 2000-page book of exchange controls and let us transact as freely with foreigners as we do amongst ourselves. And an exchange standard would work only if we were considerably more disciplined in our domestic policies. We would have to run a responsible fiscal policy and keep inflation under control.

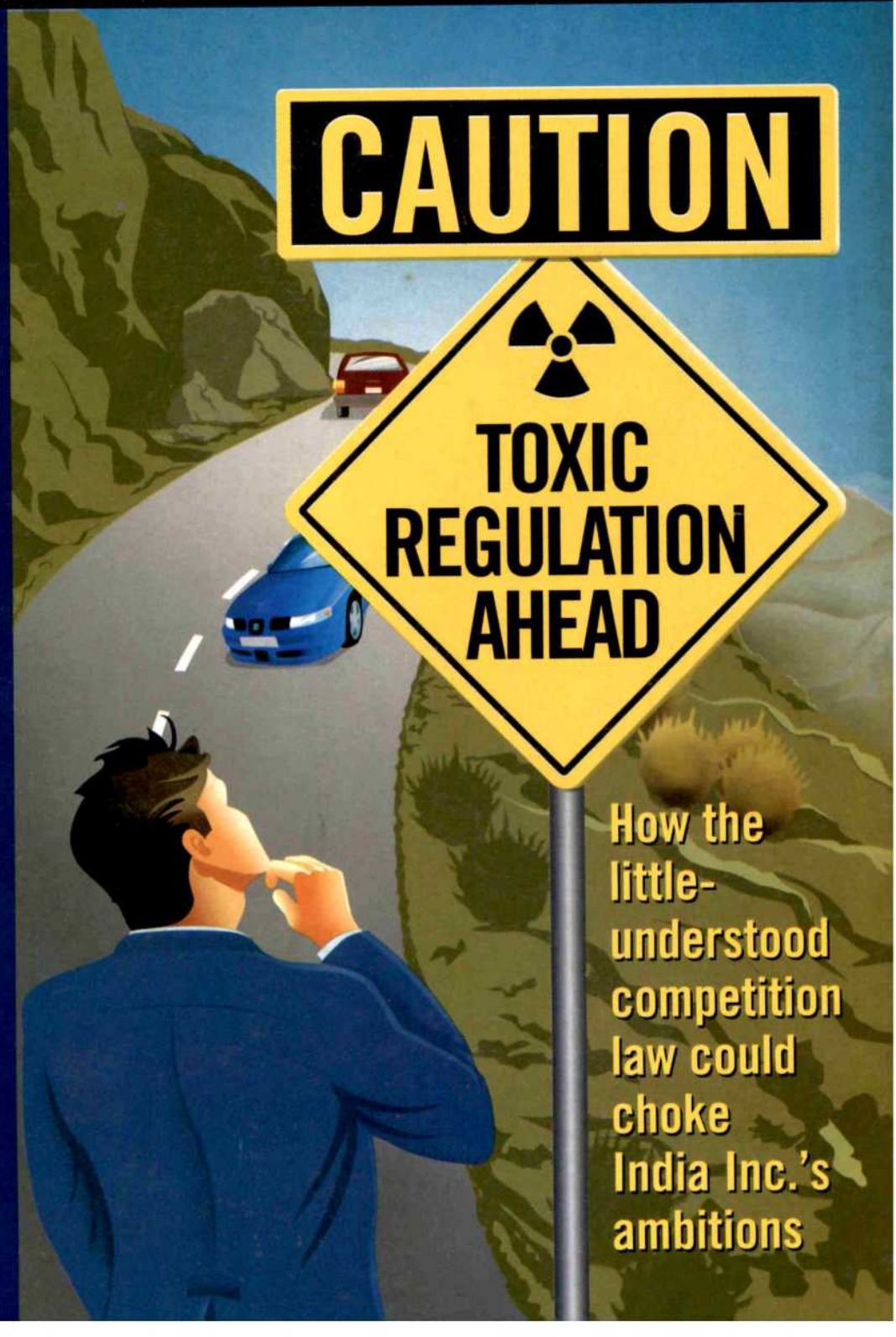
But such hardships would be necessary only if Reserve Bank simply could not keep away from its sport of exchange rate stability. In the absence of a managed exchange rate, inflation would simply lead to depreciation of the Rupee. If the government was profligate and wanted to borrow too much or pay too little for it, it would find no lenders; Indians would invest in German bonds instead. So the government would be forced to live within its means. It could run a deficit by issuing currency; but that would increase the supply of Rupees relative to foreign currencies, lead to depreciation of the Rupee and cause inflation. That would be no problem, however, since Reserve Bank would not have to support the exchange rate. If it did not have to support the exchange rate, Reserve Bank would have no use for the billions of dollars of foreign exchange. They could be sold off; out of the proceeds, the government could give us a few years' tax holiday.

There is, therefore, a case for taking a holiday from exchange rate management and letting the Rupee float. It may lead to exchange rate volatility, but surely it will be no greater than the stock market volatility we have to bear.

PHARMA'S NEW PAIN P.34 MICR[illegible] P.38

Businessworld

w.businessworld.in 18 FEBRUARY 2008 SUBSCRIBER COPY NOT FOR RESALE



HE NEXT BUST?

rst stocks, ow realty. ow bursting ubbles ould trip up dia's conomy

E 56

+

romoters emoted

E 24

ftware's rinking Salaries

E 68

How the little-understood competition law could choke India Inc.'s ambitions

1 No.

A'S SS MAGAZINE ST READ

SONE KI CHIDIYA AAYEGI
HAR FIKAR DUR UDD JAAYEGI !

At Future Group, we too believe that our Golden Age will be back. It is this shared vision that inspires us to think differently and find ways to make comfort and convenience accessible to all. So that everyone can live their lives to the fullest.

INSURANCE • Entertainment • Fashion • Retail • Capital • Restaurants • Shopping Malls • Consumer Finance • Logistics • Brands • Media

future group
India tomorrow

Future Capital Holdings Limited is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Red Herring Prospectus with the Registrar of Companies, Maharashtra at Mumbai. The Red Herring Prospectus is available on the website of SEBI at www.sebi.gov.in and the respective websites of the BRLMs at www.kotak.com, www.enam.com, www.jmfinancial.in and http://www.ibb.ubs.com/Corporates/indianipo/.

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era landmarks

Live the difference

ERA LANDMARKS (INDIA) LIMITED

IT SQUARE GREATER NOIDA | Aspen Garden BYPASS, MEERUT | Redwood Residency FARIDABAD | Laurel Garden SIRSA

- From conceptualising first-of-its-kind IT park in India to bringing knowledge closer home.
- From transporting you into the vintage world of gothic architecture to engulfing you with a lush green countryside.
- From pioneering the first green & integrated township in Sirsa to endowing homes with efficient & vaastu compliant radiant layouts.
- From assuring precious family moments at the club house to caring for your children at our nursery, day care & play centres.

Era Landmarks promises to metamorphose living and working experiences.

Residential / Commercial / IT & ITES / Retail

era infra	era buildsys	era landmarks	era ezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.	ERA BUILDING SYSTEMS LTD.	ERA LANDMARKS (INDIA) LTD.	ERA E-ZONE (INDIA) LTD.	ERA POWER (INDIA) PVT. LTD.

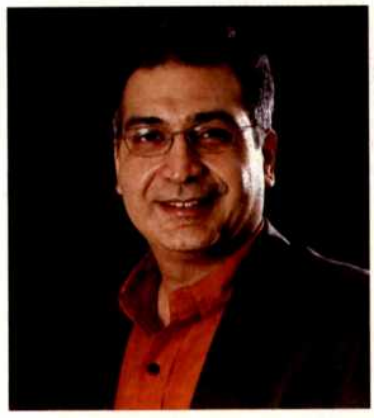
(#Combined presence of all group companies as on 30th November, 2007)

Corporate office: 153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

Law Of Repulsion

by jehangir s. pocha, editor



THE ONE THING ONE MUST RESPECT about Indian politicians is their ability to move up the value chain. From capturing booths, they have now proceeded to capturing ministries.

Coalition politics has allowed regional parties to take control of different ministries which they are now milking through ingenious means. The latest case in point is the Ministry of Company Affairs. Run by Premchand Gupta of the Rashtriya Janata Dal, last November the ministry took advantage of the hoopla in parliament over the 1-2-3 Agreement to quietly pass a new competition law that will virtually reinvent the inspector raj.

While the act's anti-cartel provisions are good, its clumsy and arbitrary approach to mergers and acquisitions and predatory pricing must be challenged and changed. Among other things, the law demands every merger and acquisition made by any company with more than Rs 3,000 crore in revenues receive the ministry's blessings. The point, of course, is that blessings, whether in temples or ministries, cost money and take time. So, unless CEOs are happy to have their mergers held up by the ministry, they will find themselves having to pay generous "expedite" fees. India Inc. still hasn't woken up to the full ramifications of the act, but it better.

Businesses also continue to suffer from India's soaring property prices, which are about thrice those in other Asian countries. While economic growth accounts for some of the buoyancy in realty, the fact is politicians in cahoots with builders have manipulated zoning and other laws to boost land prices. Dubious inflows into the real estate sector from abroad have also lifted prices to absurd levels in areas such as South Mumbai.

But markets outwit corruption and there will soon be a correction in realty prices. While this will ease the pressure on companies and consumers, a correction could end up being the spark that ignites a fire in our overheated economy.

Businessworld

Volume 27 Issue 39.
For the week 12-18 February 2008,
Released on 11 February 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

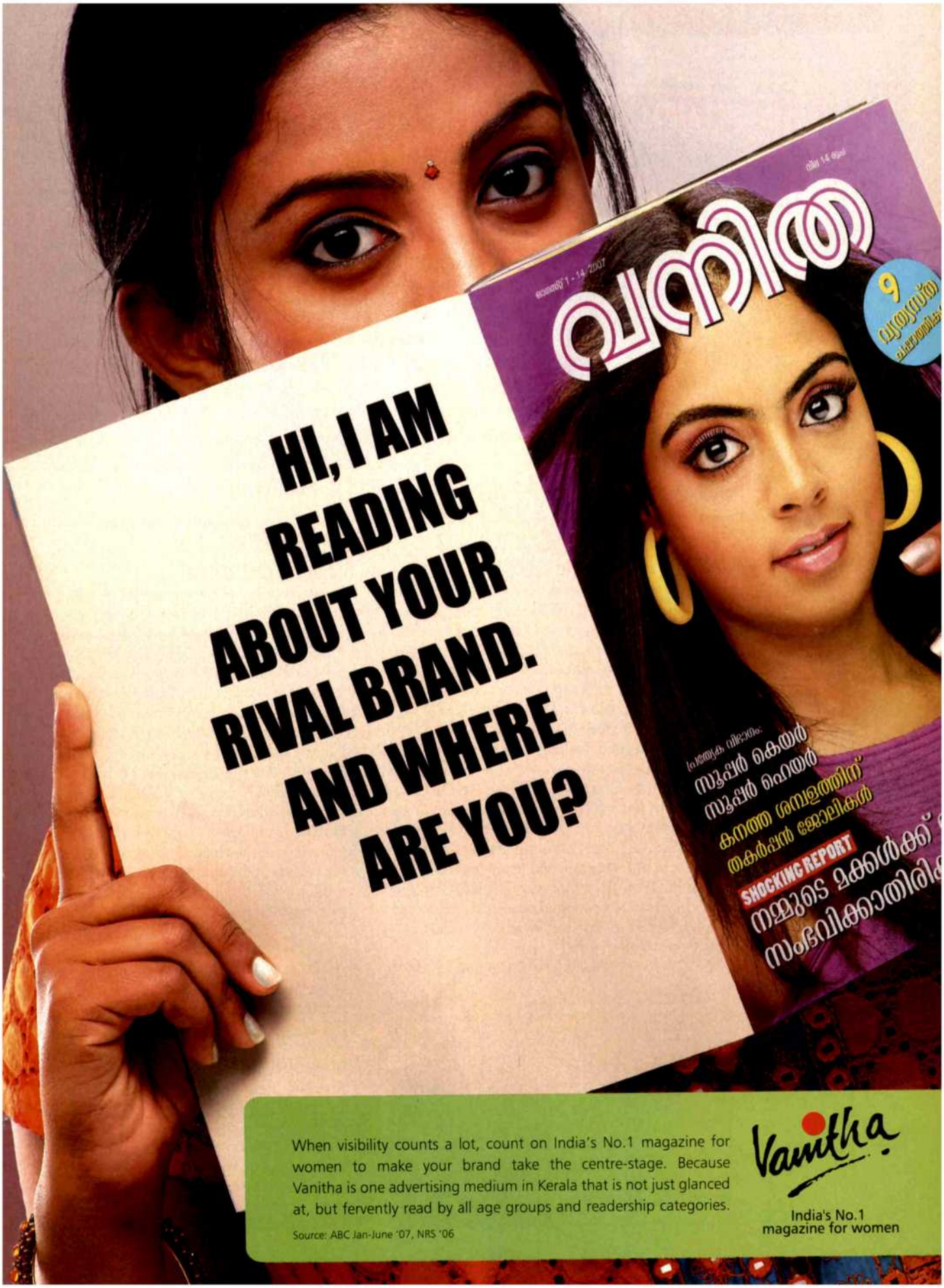
Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

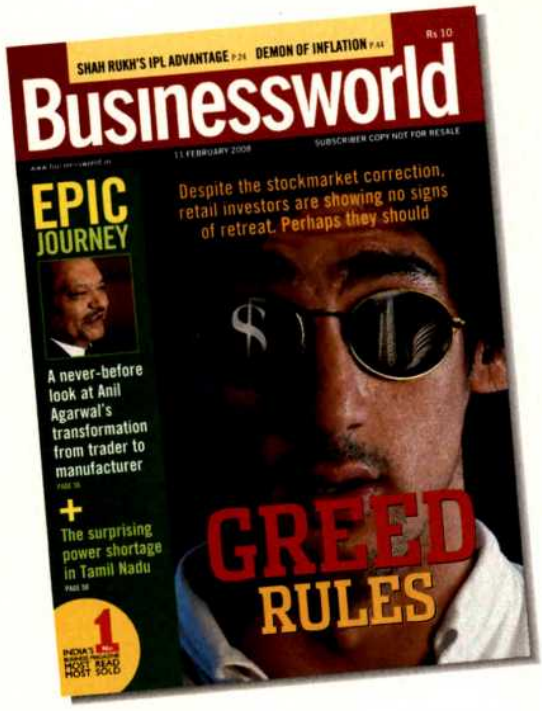
Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)
Limited period special offer inside

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81


HI, I AM READING ABOUT YOUR RIVAL BRAND. AND WHERE ARE YOU?
വനിത
9
സൂപ്പർ കെയർ
സൂപ്പർ ഹെയർ
കനത്ത ശമ്പളത്തിന്
തകർപ്പൻ ജോലികൾ
SHOCKING REPORT
When visibility counts a lot, count on India's No.1 magazine for women to make your brand take the centre-stage. Because Vanitha is one advertising medium in Kerala that is not just glanced at, but fervently read by all age groups and readership categories.
Source: ABC Jan-June '07, NRS '06
Vanitha
India's No.1 magazine for women

Feedback your comments



Investor Vs Speculator

It is ironical that the word "investor" appears in this article ('No Retreat, No Surrender' *BW*, 11 February 2008) more than 10 times, whereas the target audience was speculators. There appears a general confusion between 'Investment' and 'Speculation'. An investor is one who plays based on thorough analysis that ensures safety of principal and adequate return. A speculator is one who operates on margin/leverage; chases hot stocks on the basis of tips or stories; does intra-day trading; follows market hype; is greedy. So, why would you call all those who lost recently "common investors"? I recommend your editorial team a strong dose of reading from chapter one of *The Intelligent Investor* by Benjamin Graham, also known as the guru of Warren Buffet.

Seshadri Venkatesan, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

A Man Of Mettle

Your story about Vedanta's head, Anil Agarwal, ('Gold Digger', *BW* 11 February 2008) and his fascinating journey, from his days as a small-time metals trader to building his own global conglomerate, was brilliantly done. One could have never imagined that such an unassuming man would have such an interesting history to him.

Two aspects to his personality that clearly come across in the story are perseverance and shrewdness. Undoubtedly, these are the qualities that made Agarwal what he is today. It was almost comical reading about how he approached Brian Gilberton asking him to invest in his company and how, just three months later, fired him when he was suspected of cheating. Shrewd, and even ruthless, some might say, but Agarwal obviously has no reason to complain.

Alaknanda Dasgupta, via e-mail

A Measured Move?

Your in-depth analysis on credit policy 'A War On Inflation' (*BW* 11 February 2008) was nice. The growth rate is pegged at a conservative 8.5 per cent, while key rates have been kept unchanged. The RBI's concern is indicative on the inflationary front with an eye on managing capital inflows. Capital inflows have been relentless for some time, but with the US economy witnessing a recessionary trend and especially after the 75 basis points interest rate cut by Federal Reserve on 22 January, the interest rate differential between the two countries is likely to boost capital inflows into India. By keeping various options open and maintaining stability with growth, the RBI has adopted a measured approach in its monetary policy.

Srinivasan Umashankar, via e-mail

The RBI's decision to not decrease the interest rate and letting the differential between the US and India go up seems troublesome.

Akshat Agrawal, via e-mail

Corrigendum

The article 'Beat Them Or Join Them' (*BW*, 4 February 2008) incorrectly mentioned the repo rate and the reverse repo rate as 6 per cent and 7.75 per cent, respectively, whereas the rates were 7.75 per cent and 6 per cent, respectively. The error is regretted.

The letters have been edited for brevity.

The rugged heavy duty Multi-function Centres.

Presenting sturdy, robust and hardworking laser Multi-function Centres from Brother. No sweat. No complaints. These printers just go on and on day after day. An ideal investment for every office

• Laser Printing • Laser Faxing • Laser Copying
• Colour Scanning • Mono PC Faxing

At your side.
brother®
Brother International Corp., Japan

mc²

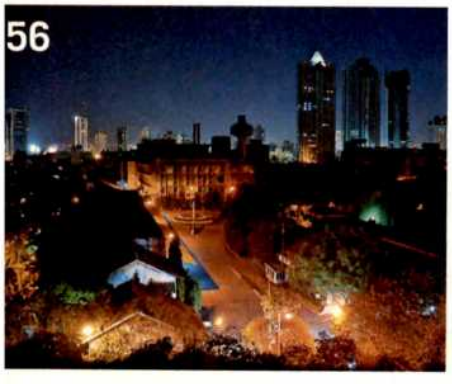
OTHER MODELS ALSO AVAILABLE

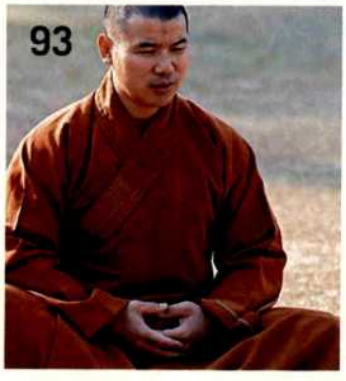
Brother International (India) Pvt. Ltd.

Brother is a registered trademark of Brother Industries Ltd.
Brand Product names & Logos are registered trademark or trademarks of their respective companies.

Call our toll free number for more details: **1-800-222-422** (MTNL and BSNL users), **1-800-209-8904** (other users), **SMS: +91 9967609904, Email: info@brother.in**

Businessworld 18.02.08





COVER STORY

40 Caught In The Act

The Competition (Amendment) Act 2007 signals an ominous return to draconian regulation.

ON POINT

10 Catch Me
Will India ever be able to close the gap with China in economic prosperity?

11 Crash Lessons
The government demands a report from Sebi on capitalisation norms of brokers.

16 The Polyester Prince
The banned biography of Dhirubhai Ambani is back in circulation.

18 FIANCHETTO
Weekly strategic corporate moves.

20 QUICK TAKE
Cutting duties instead of raising rates?

IN THE NEWS

24 Low Stakes
Public holding norm irks companies.

28 Reality TV
INX News is already making 'news'.

34 Troubling Trend
Pharma firms shift to specialty drugs.

36 GMR Looks Out
Money scheme for IGI airport revamp.

38 Cyber Wars
MS-Yahoo deal can be a game-changer.

IN DEPTH

50 Other Income
Companies resort to non-core earnings to meet stockmarket expectations.

68 Paymaster's Message
Will salary cut at TCS have repercussions?

80 Green Piece
The Mahindra Group sets example.

SPECIAL REPORT

56 A Property Bubble?
A heavy rush of money is jacking up prices even as demand is down.

IN VOGUE

93 Mind-Body Therapy
A shaolin master to teach managers the ways to be sharp in mind and body.

98 Taste Of China
Upmarket restaurants are looking to cash in on the Chinese new year lore.

100 Bookmark
How Asian diplomacy works, racing ahead with mentors, and the miracles of a *fakir*.

102 Book Excerpt
How India is set to emerge as the third Asian power after Japan and China.

COLUMNS

22 Omkar Goswami
Monoline crisis in the US and RBI policy.

52 Srikanth Srinivas
Will REITs work well in India?

IN CONVERSATION

72 BJÖRN NÄF
PRESIDENT & CEO,
GULF AIR

Gulf Air has signed an exclusive pact for flights to India but says the Indian government is trying to protect Air India, which has no reason to steer bilateral talks for seat allocation and destinations.

66 Jean-Joseph Boillot
Chance for India and France to cooperate.

70 Bill Emmott
Bigger budget deficit is no solution.

78 Kenneth Rogoff
If US policymakers would only listen.

82 Gurbir Singh
A media consortium could revive UNI.

BW & YOU

06 FEEDBACK

83 CASE STUDY

106 BW OPINION

BWonline
businessworld.in
WEB EXCLUSIVES

Different Strokes
Entrepreneurship is similar to playing golf. Just try and find what stroke works best for you, and you will be consistently right.

TechnoCool
A printer, scanner and a photocopier — Canon Pixma MP520 is a cost-effective, space-saving solution to a mangled mess of wires, especially if you work from home.

Total No. of pages including cover: 108

GLOBAL ACQUISITIONS

Chinese Checkers

China keeps widening the gap with India in economic prosperity

BLOOMBERG

MOT JUSTE: China has successfully thwarted the hostile bid by BHP Billiton for Rio Tinto

IN 2007, WHILE INDIAN policymakers debated how best to use the country's foreign exchange reserves, the Chinese government set up a $300 billion sovereign fund. Two years ago, when India was desperately scouting for equity oil around the world, China quietly picked up oilfields in strife-torn African nations.

China is systematically putting in play its companies and fortune, amassed by manufacturing the world needs at cheap prices, to create and protect its long-term economic interests.

Last week, Aluminium of China (Chinalco) and Alcoa together bought a 9 per cent stake in the London-based Rio Tinto Group, a move designed to spoil Australian BHP Billiton's $147-billion offer to buy the world's third-largest miner. Chinalco put up $12.8 billion of the $14 billion that the purchase vehicle Shining Prospect paid for the stake. Chinalco had opposed BHP's move in November saying that the combine would have too much pricing power.

In 2006, China spent over $2.7 billion to buy oilfields in Nigeria. Last year, Nigerian oil exports to China doubled to about a million barrels. Similarly, Chinalco bought Peru Copper for $860 million in August last year and Anshan Iron and Steel Group signed a $1.6 billion deal to set up an Australian iron ore joint venture.

Last week, China International Fund Management Company, owned by the Shanghai Municipal Government pitched tent in India as a foreign institutional investor. In comparison, India's biggest local body's — the Brihanmumbai Municipal Corporation — newest initiative is to set up several malls in overcrowded Mumbai.

Dinesh Narayanan

66 The number of cases filed against Reliance Infratel by the Uttar Pradesh government

QUOTE OF THE WEEK **"We don't need the final results to know our time has come."**

– Democratic Presidential Candidate Barack Obama

STOCKMARKETS

Capital Issue

Did the absence of capitalisation norms add to last month's market crash?

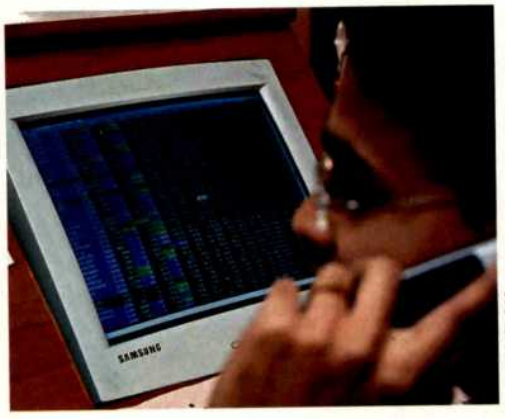
THE GOVERNMENT HAS demanded a report from Sebi on capitalisation norms of brokers such as those for banks and insurance companies. It wants the stockmarket regulator to examine if systemic gaps could have played a role in exacerbating last month's stockmarket collapse.

The government's representative on Sebi's board of directors raised the issue at its last meeting held on 30 January. "Ordinarily, margins do not drive people nuts," said a member who attended the board meeting. "But Sebi admitted that it is flooded with complaints from investors who could not buy or sell during the crash because their brokers' terminals were frozen by the stock exchanges on non-payment of margins." Sebi is working on the report with the RBI and the stock exchanges.

According to finance ministry sources, the report will be tabled at the next board meeting following which a decision on imposing capitalisation norms on brokers will be taken.

In which case, brokers may be statutorily required to maintain certain level of capital. This could see small brokers and sub-brokers consolidating and selling out to large organised ones.

Puja Mehra



SUBHABRATA DAS

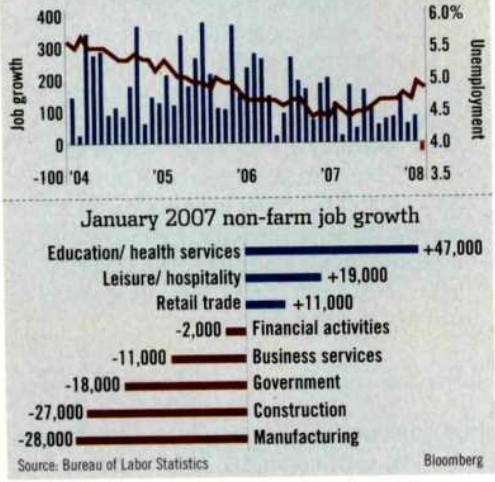
CRASH COURSE: Many investors could not buy or sell during last month's market collapse

Global NEWS

Chaos in Chad: Following clashes between government forces and rebels in Former French colony Chad — one of the world's poorest countries — thousands of people fled to neighbouring countries. France, which has 1,400 troops in Chad, supports the Chad government and has warned the rebels that it would intervene.

SHARP DECLINE IN US JOBS

Payrolls unexpectedly fell in January for the first time since 2003, possibly signalling a contraction. Job losses totalled 17,000.



Source: Bureau of Labor Statistics

Bloomberg

DCM SHRIRAM INDUSTRIES

MINORITY REPORT

MINORITY SHAREHOLDERS HAVE OFTEN felt shortchanged by both by the promoters and the authorities. So, there was nothing new about either DCM Shriram Industries' (DSI) promoters using postal ballot instead of a shareholders' meeting to seek approval for a preferential issue that will raise their stake from 32 per cent to 40 per cent, or the Company Law Board's refusal to stay the issue on a minority shareholder's plea.

However, in this case, the minority shareholder has decided to become a major shareholder. Following significant losses in the September quarter of 2007, broker Harish Bhasin's companies have raised their stake in DSI to 22 per cent from 12.8 per cent. He is keen to raise it further provided the Company Law Board clears his second open offer.

Bhasin claims that he does not want to acquire the company and run it. He says he is fighting promoters instead of just complaining about their conduct because he sees no other way to enforce good corporate governance.

Feroz Ahmed

THE SPIRIT OF MUMBAI!

Activists of Maharashtra Navnirman Sena attacking a Samajwadi Party worker at Shivaji Park in Mumbai on 3 February 2008. For the past week, the two political parties have been clashing over the issue of migrants in Mumbai. The house of Amitabh Bachchan, who hails from Uttar Pradesh, was also attacked.

AP

STOCKMARKETS

Influencing the Sensex

SUBHABRATA DAS

Institutional investors and brokers seem to be influencing the Sensex

THIS MONTH OPENED with a bit of drama. On 1 February, when the Sensex shot up by 3.3 per cent, both foreign institutional investors (FIIs) and domestic institutions were net sellers on the combined cash market of NSE and BSE. Their net sales — Rs 127 crore and 115 crore, respectively — were small but without a net purchase of Rs 500 crore by FIIs, it is difficult to raise the market.

During the January crash, retail and domestic institutional investors were net buyers, while the FIIs and brokers were sellers. But the trend seems to have reversed in February. Retail investors did net sales of Rs 370 crore on BSE in the first three days while brokers' proprietary accounts took in net purchases of Rs 107 crore.

Are operators driving the market?

Rajesh Gajra

TELECOM LICENSING

ByCell

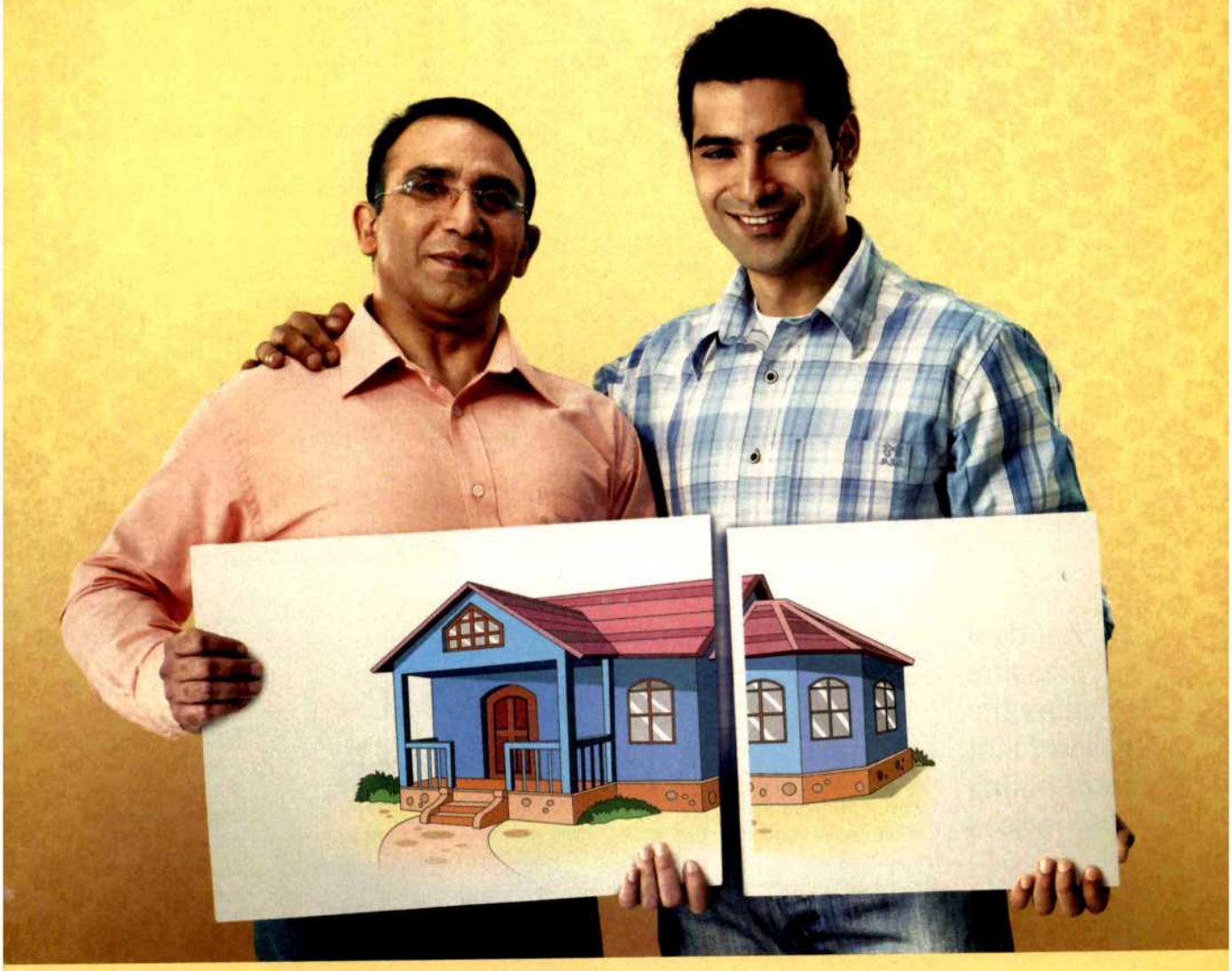
Rules of origin

THE MINISTRIES OF FINANCE, EXTERNAL affairs, and communications all are in a quandary over the application by ByCell Telecommunications for unified access service licence to operate telecom services in Assam, Orissa , Bihar, North East and West Bengal telecom circles. The papers show it is a company registered in Switzerland but there is no clarity on its past activities in the realm of telecommunications, says an official at the Department of Telecom. ByCell's application is still under scrutiny, sources say.

Reality Check

Notebooks have become the fastest growing segment in computers. From less than 3 per cent four years ago, notebooks now account for 21 per cent of the total computer sales in India.

"I added to my parents joy."



Unit Linked Savings Plans from HDFC Standard Life

Welcome to a range of plans which is ideal for young professionals. Plans that allow you to save for your family and your future. So the next time your family needs a little help, take pride in making that surprise contribution.

- Market linked returns through 7 fund options
- Flexible premiums and premium payment options
- Tax benefits up to Rs.33,990/-

☎ 1800-227-227
sms **SAVE** to **5676727**

HDFC STANDARD LIFE INSURANCE

Sar Utha Ke Jiyo

Landline No.: **6000 9191** (local call charges applicable) • Visit **www.hdfcinsurance.com**

Unit Linked Savings Plans include HDFC Unit Linked Endowment (Form No. P501-28/B, UIN: 101L015V02) & HDFC Unit Linked Endowment Plus (Form No. P501-28/A, UIN: 101L024V01). The name of our company 'HDFC Standard Life Insurance Co. Ltd.' & plans do not, in any way, indicate the quality of the plans, its future prospects or returns. Unit Linked Plans are different from traditional insurance plans & are subject to different risk factors. Tax figures mentioned are subject to change. For more details on risk factors, terms & conditions and applicable charges please read sales brochure or consult Financial Consultant before taking a decision. Insurance is the subject matter of the solicitation. ARN No: MC/01/2008/262.

DO-NOT-CALL REGISTRY

WHO'LL TAKE THE CALL?

HOPING TO BE RID OF those persistent and pesky telemarketers' calls, over eight million mobile subscribers have registered with the National Do-Not-Call (NDNC) registry service since it was operationalised in October 2007.

But the service is proving to be ineffectual in large parts as a significant number of those who are listed on the registry continue to be harassed by telemarketers who insist on selling them anything from a personal loan to a

new credit card.

While the Telecom Regulatory Authority of India (TRAI), the Department of Telecom (DoT) and telemarketers keep playing the blame game, banks and other financial institutions that peddle their products through telemarketing minions go scot free.

This, despite the fact that the RBI had issued guidelines for banks as far back as July 2007, explicitly asking them not to engage telemarketers without a valid registration certificate from the DoT.

Maybe TRAI should contemplate fining them along with errant service providers and telemarketers to compensate harried consumers.

Sumati Nagrath

TOP 10 LISTINGS

TOP 10 TOXIC ELECTRONICS FIRMS

1	Nintendo	0.0
2	Patni Computers	0.0
3	Philips	2.0
4	Zenith Computers	2.6
5	Microsoft	2.7
6	Sharp	4.7
7	Motorola	5.0
8	Panasonic	5.0
9	Wipro	5.3
10	Acer	5.7

Figures are points on a scale of 10. The lesser the points, the more toxic the company is. Source: Greenpeace

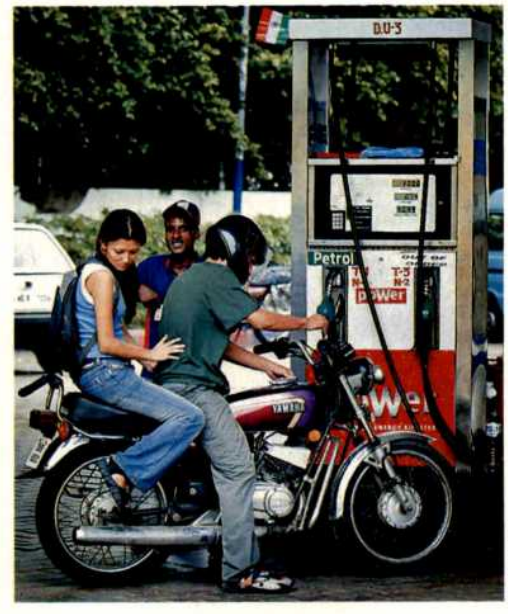
Political pressure keeps the government from hiking oil prices

OIL PRICING

Taking The Middle Path

EVEN IF OIL PRICES touch $100 a barrel, the government cannot pass the burden to consumers as it will push them to misery." This is what Finance Minister P. Chidambaram said at the BBC World Debate on Global Economic Shock — Perfect Storm Ahead?, organised at World Economic Forum's annual meeting at Davos in January 2008.

The government, however, will continue to struggle in its attempt to balance the marginal hike of Re 1 for diesel and Rs 2 for petrol. Among the factors precluding the government from effecting any drastic price hike are the fluid political situation and the fact that the Budget is just a few days away.



BLOOMBERG

PLAYING BY THE EAR: Effecting any price hike will be a tough call

While the finance minister may not like to play around with the excise duty, there are very few options before him.

There is no doubt that hike of any kind will be opposed by the allies of the ruling coalition, who will see this as an opportunity to score a few brownies before facing the electorate.

While this is a tough call for the Cabinet to take, an industry body represented by big names in domestic oil companies is lobbying for a hike.

M. Rajendran

Mark your 2008 calendar for the FIRST AND THE LARGEST electronic components exhibition of the year - COMPONEX NEPCON INDIA 2008 from 20th to 22nd Feb. Get to know the latest!

- **COMPONEX NEPCON INDIA 2008** is the largest trade show for electronic components.
- Country Pavilions: Taiwan, China, Singapore, U.K.
- Various countries from all over the world are participating; Japan, Korea, Hong Kong, Malaysia, Germany, USA, Switzerland, Czech Republic.
- Indian Companies from Delhi & NCR, Mumbai, Bangalore, Hyderabad, Chennai, Chandigarh, Ahmedabad, Pune.
- Exhibition is spread across the area of 11000m².
- Our show is supported by leading media houses and the key associations of the industry.
- We provide exciting visitor services.

VENUE PRAGATI MAIDAN | **HALL NO.** 2, 3, 4, 5 & 6 | **ENTRY FROM** GATE NO. 2

Exhibitor's Profile:

• Manufacturers and production of electronic components • SMT equipments, material, components and suppliers • Semiconductors • Sensors and Microsystems • Electro-mechanical components and fixing technology • Passive components • Subassemblies and Subsystems • Displays/Display manufacturers • Production technology and logistics for semi-conductors • Production technology and logistics for Microsystems • Production technology and logistics for circuit boards and switches • Production technology and logistics for subassemblies • Modules and Hybrid • ED/EDA and measurement & testing technology • Operating resources and production subsystems services

DATE 20th-22nd FEB

To register now, log on to ***www.componex-nepcon.com*** and for further queries, Email *at* ***info@componex-nepcon.com***

Trade Media Partners: NEW Electronics • TENDER WORLD • ELECTRICAL & ELECTRONIC WORLD, indiamart.com, trade4india.com, 慧聪电子网, ELECTRONICS ASIA, EMC, electronics maker, global sources

Official Show Daily Partner: electronics maker

Official Travel Partner

Official Online Media Partner: Alibaba.com

Preferred Airline: JET AIRWAYS

Show supported by: Electronics Today, IMAA, SMTA, CEAMA, TEMA, CEIEC

Reed Exhibitions India
11th Floor, Building No. 9-A, DLF Cyber City, Phase-III, Sector 25-A, Gurgaon 122 002, Haryana (India) • Tel: +91 124 4686 300, +91 124 4686 327 (D). Fax: +91 124 4686 309
www.componex-nepcon.com or Email: info@componex-nepcon.com

Organised by: Reed Exhibitions

promodome.net

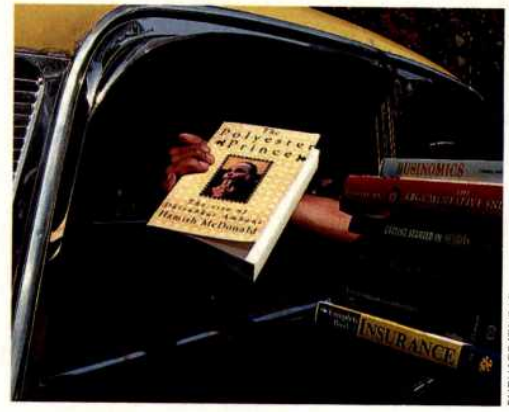
PUBLISHING

On The Sly

The banned biography of Dhirubhai Ambani is back in circulation

AMERICAN HUMOURIST Dave Barry once said, "Life is anything that dies when you stomp on it." Ten years ago, journalist Hamish McDonald's book, *The Polyester Prince*, an unauthorised biography of Dhirubhai Ambani, apparently died after a judge restrained it from being published in India.

However, the book seems to have been granted a second lease of life by the antithesis of a judge — the Mumbai book bootlegger. Pirated versions of the controversial book, which sold on the internet for Rs 40,000, is now being hawked at traffic signals for between Rs 200 to Rs 400 depending on your haggling skills and the quality of the reproduction.



SUBHABRATA DAS

MAKE HAY WHILE... The 'original' but unauthorised version commands a premium

So how come the book is available now? If you ask the boys who press the book on your window at signals, they will lead you to Worli village in central Mumbai where copies of the book are made using photocopying machines.

However, they keep the original source of the book a closely guarded secret. "We get our copies from a source in Malaysia," says Nagesh, a hawker.

When *BW* called Strand Book Store in Mumbai, a salesman who did not want to be named said, "The book has not been on the stands of the shop for the last eight years; the last one we had was an imported version."

There were many original copies of the book, which were imported a decade ago. Now that the book is available freely on the street, there seems to be a sudden demand for the original version.

Whoever revived the book, has great business sense.

Vishal Krishna

HINDUSTAN UNILEVER

Win Some, Lose Some

HUL's shift in its selling pattern may be the reason behind its downsizing

AT A TIME WHEN Indian companies are on a hunt for more talent, soaps and detergents maker Hindustan Unilever (HUL) has decided to give the pink slip to 50 managers. HUL's Aglo Dutch parent Unilever had recently announced it would slash 20,000 jobs before 2012.

BLOOMBERG

LURE OF SHELFLIFE: HUL has taken to the *kirana* store route

Although HUL justified its act saying that it was just 'adjusting' the surplus managers, industry observers say this could be due to shift in the pattern of selling its products to customers indirectly through *kirana* stores now.

In many metros, the company is directly selling it to retail chains at a lesser margin than through sales agents.

The growth of retail stores has shifted the bargaining power from the manufacturer to the retailer, says the head of a retail chain.

Baiju Kalesh

Automotive

BUZZ

Maruti says na'no'
Maruti Suzuki has denied it will introduce a car to compete with Tata Motor's Nano. The company said it had "no plans whatsoever" of developing a car cheaper than its Maruti 800. In the past, Suzuki Chairman Osamu Suzuki had repeatedly criticised Tata Motors for its race to rock-bottom prices. Still, a rival to the Nano won't hurt Suzuki's stable.

1 lakh crore rupees was refunded by Reliance Power to unsuccessful bidders for its IPO.

THROW CAUTION TO THE WINDS. WE'LL CATCH IT.

Don't let risks stop your export business from going further. ECGC gives you the confidence to challenge the limits of achievement.

ISO 9001:2000 Certified
(For Head Office and 48 Branches)

Insurance is the subject matter of solicitation.

ECGC

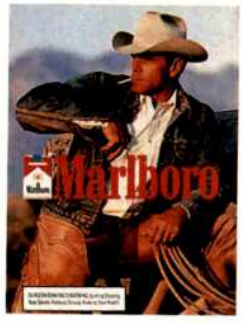
You focus on exports. We cover the risks.

Export Credit Guarantee Corporation of India Ltd.
Express Towers, 10th Floor, Nariman Point, Mumbai 400 021, India.
Tel: (022) 6659 0500-10 • Fax: (022) 6659 0517 • Toll-free: 1-800-224500 • e-mail: mg@ecgc.in • Visit us at: www.ecgc.in

Mumbai: (022) 2657 1993 • Chennai: (044) 2849 1017 • Bangalore: (080) 2558 2576
• Kolkata: (033) 2282 2218 • Delhi: (011) 4150 6409

AR No. 122

EuroRSCG/ECGC/1504/08



Philip Morris rediscovers its partner

After ignoring its Indian joint venture partner for five years, US tobacco giant Philip Morris is trying to broker peace with Godfrey Philips India.

In 2003, the US company had launched Marlboro — its largest selling cigarette brand — in India on its own, through an arrangement with a local distributor, Barakat Foods & Tobacco (BFT). Philip Morris directly imported the product, which was then distributed by BFT under a non-exclusive agreement.

The US firm is now in talks with Godfrey Philips India for manufacturing Marlboro in India.

This will help the parent company avoid any import levy and Godfrey Philips India's distributor network will help Philip Morris boost sales of the brand. Godfrey Philips India Chairman K.K. Modi and Philip Morris hold 36 per cent each in the joint venture.

Fuelling growth

Mangalore Refinery & Petrochemicals, a subsidiary of ONGC, has formed a joint venture with Shell Aviation for marketing aviation turbine fuel (ATF).

The new venture, to be headquartered in Bangalore, will initially market ATF at the Bangalore and Hyderabad airports.

Videocon's power play

Electronics and home appliances major Videocon Industries is diversifying into power generation.

Last week, Videocon chairman Venugopal Dhoot announced the company will set up a 1,000MW thermal power station at an investment of Rs 4,000 crore near Varanasi in Uttar Pradesh.

TCS's healthcare push

Tata Consultancy Services and Pune-based Optra Systems, which specialises in imaging software for the lifescience and healthcare sectors, have formed an alliance to jointly create an image informatics system for the life science and healthcare industry.

While this partnership will help the Pune company to expand its foothold in the North American market, which makes up for about 40 per cent of the global market, TCS can expand its healthcare portfolio, which currently contributes 6 per cent towards the total revenue.

SANJIT KUNDU

A healthy option

Hotel chain ITC-Welcomgroup is venturing into medical tourism. The group's

DEALTRACKER

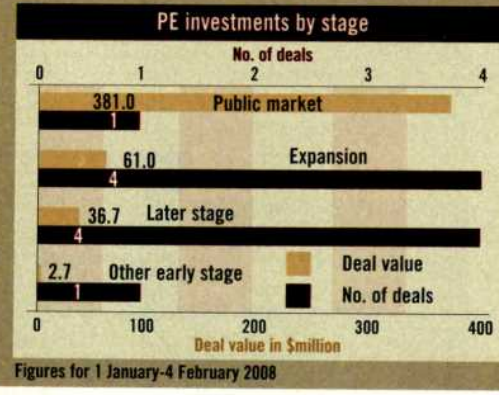
BW-THOMSON FINANCIAL PE TRACKER

January The Asian PE market saw 50 deals worth $600 million as on 4 February 2008. India was the largest market in the region with 30 deals worth $482 million.

Top 10 India deals

TARGET	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Vatika Group	Goldman Sachs, Wachovia Corporation, Baer Capital Partners	US US UAE	150.0
IVEN Medicare India	ICICI Venture Funds Mgmt Co.	India	75.0
Times Innovative Media	Lehman Brothers, Goldman Sachs	US	50.0
Futura Infraprojects	Frontline Strategy	Singapore	40.0
Vikram Hospital & Heart Care	ICICI Venture Funds Mgmt. Co.	India	24.0
Speciality Restaurants	SAIF Partners	Hong Kong	22.5
PreMedia Global USA	JM Financial Investment Managers	India	18.2 14.5
Prime Securities	New Vernon Private Equity (FKA: New Vernon Bharat)	Mauritius	
GSS America Infotech	Kubera Partners	US	10.0
Ahmedabad Commodity Exchange	Kotak Mahindra Bank	India	9.4

Figures for 20 January-2 February 2008 FKA: Formerly known as



Figures for 1 January-4 February 2008

BLOOMBERG

first property — a 60-room, 200-bed hotel — will come up near Jupiter hospital in northern Mumbai.

The hotel, being built by ITC-Welcomgroup's subsidiary Fortune Park Hotels, will be accessible from within the hospital and have wheel-in facilities for patients.

Small profits

Indian Bank has signed an agreement with small and medium enterprises (SME) Rating Agency of India (SMERA).

This will help the bank assess the financial position and other qualitative factors of SMEs, which have a bearing on their credit worthiness.

As on December 2007, the bank had financed about 80,000 SME units with an exposure of Rs 4,000 crore.

Gateway to China

The Punjab National Bank (PNB) has opened a full-fledged branch in Hong Kong.

The new branch, which offers the full range of banking services — including checkable accounts, deposit products, trade finance and loan syndication — also has a treasury function. This complements PNB's existing London and India treasuries and allows the bank to offer services across all time zones.

Credit information

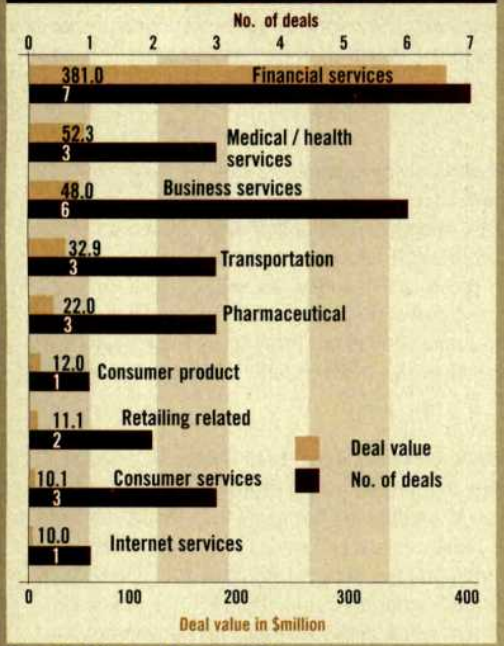
Tata Capital, Equifax and CRISIL are planning to create a credit information company in India. To this effect, Equifax has submitted an application to the Reserve Bank of India (RBI) for operating a credit information company. The establishment and associated timing of the credit information company are contingent on regulatory approval from the RBI and other regulatory authorities in India.

Zooming in on India

Global photography equipment maker Fuji Corporation has decided to have a strong presence in India. Till now, Fuji Corporation was operating in India through its branch offices and dealers. But now a new subsidiary, Fujifilm India, will drive the parent company's ambitions to capture the rising demand for digital imaging products, photo and graphic systems and medical equipment in India.

BLOOMBERG

PE investments by industry



Figures for 1 January-4 February 2008

Top 10 Asia deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Vatika Group	India	Goldman Sachs, Wachovia Corporation, Baer Capital Partners	US US UAE	150.0
IVEN Medicare India	India	ICICI Venture Funds Mgmt. Co.	India	75.0
Times Innovative Media	India	Lehman Brothers, Goldman Sachs	US	50.0
Futura Infraprojects	India	Frontline Strategy	Singapore	40.0
Vikram Hospital & Heart Care	India	ICICI Venture Funds Mgmt. Co.	India	24.0
Speciality Restaurants	India	SAIF Partners	Hong Kong	22.5
Futaste Pharmaceutical Co.	China	3i Group	UK	20.0
Shanxi Xinlong Petroleum Equipment Co.	China	Blue Ridge Capital	US	20.0
PreMedia Global USA	India	JM Financial Investment Managers	India	18.2
Prime Securities	India	New Vernon Private Equity	Mauritius	14.5

Figures for 20 January-2 February 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

Should India combat inflation by cutting import duties instead of raising interest rates?

We asked... Ajit Ranade, Chief Economist, Aditya Birla Group, Ajay Sahai, DG , Federation of Indian Export Organisations, Anil Singhvi, MD and CEO, Ican Investment Advisors, Rajeev Karwal, CEO, Milagrow, Jawahar Goel, Business Head, Dish TV, S. Madhavan, Exec. Dir., Tax and Regulatory Sevices, PwC, R. Venkatesan, Head, Industry Division and Sr Fellow, NCAER, Charan Wadhva, Professor Emeritus, Centre for Policy Research, Saurav Adhikari, Corporate VP, Strategy, HCL, Rakesh Mittal, Pres. and COO, Corbus, Parvez Akhtar Qazi, Analyst, Edelweiss Capital, Gaurav Mashruwala, Certified financial planner and wealth advisor

"Cut import duties as revenue flows are good, and allow rupee to appreciate for cheap oil imports."

Anil Singhvi, CEO and MD, Ican Investment Advisors

"The government should focus on cutting other indirect taxes such as Octroi and VAT."

Jawahar Goel, Business Head, Dish TV

"There is room for cutting import duties and indirect taxes on petroleum products."

Ajit Ranade, Chief Economist, Aditya Birla Group

Yes 33%

YES BECAUSE: Inflation is not particularly a hot issue of debate these days, considering that the annual inflation rate was 3.93 per cent in the week-ended 19 January, down from about 5.5 per cent in May last year. However, the Reserve Bank of India still does not consider it to be in a "comfortable zone". Thus, the debate over what the RBI needs to do to bring inflation down is still relevant. Interest rates, no doubt, have serious implications for the economy, right from the domestic banking sector to the possibilities of integration with the global economy. So, some of our respondents, especially from the corporate community, felt that cutting import duties instead of raising interest rates is certainly a better option, as it is always better to reduce product cost than dampen consumer demand.

No 17%

NO BECAUSE: Reducing product cost would certainly be a more desirable option than curtailing demand by raising interest rates. But to achieve that through cutting import duties is not a sustainable strategy, felt some of our respondents. India's import density is not large enough for any cuts in import duties to have a significant impact on inflation. If at all, product costs could well be reduced by slashing domestic indirect taxes such as Octroi, service tax, value added tax, etc. At best, cutting import duties can be successful only in the short term and can be implemented in particular sectors where prices have seen sharp rises. But in the long run, import duties are likely to be more dependent on India's trade relations with the developed world rather than the RBI's inflation-curbing strategies.

Can't say 50%

CAN'T SAY BECAUSE: Many respondents either accepted both strategies as being equally effective or completely disregarded them as being detrimental to the growth process. With the exception of oil, cutting import duties on any other range of products is not likely to help substantially in the long term. Also, it will only worsen the condition of India's balance of trade, with exports already suffering due to the rupee's bull ride. Interest rates in India, on the other hand, have always been higher than global interest rates and, thus, raising them any further is not desirable. The RBI has raised key interest rates nine times since 2004. However, in the latest credit policy revision, RBI Governor Y.V. Reddy abstained from raising them further. A prudent choice, said some of our respondents.

TATA

India's toughest campus quiz
is back and bigger.
Now in 12 cities. Are you tough
enough to battle it out?

TATA CRUCIBLE

THE CAMPUS QUIZ

ENTRY FREE

Grand prize Rs. 2 Lakhs for National Winners

REGISTER AT www.tatacrucible.com

HYDERABAD	AHMEDABAD	MUMBAI	LUCKNOW
2nd Feb	3rd Feb	9th Feb	10th Feb
COCHIN	INDORE	BENGALURU	KOLKATA
12th Feb	16th Feb	17th Feb	23rd Feb
CHANDIGARH	DELHI	CHENNAI	PUNE
29th Feb	2nd Mar	8th Mar	9th Mar

ADDITIONAL PRIZES COURTESY

TATA TATA TATA ginger TATA MUTUAL THE HINDU

MEDIA PARTNER (SOUTH)

TV PARTNER

DRAFTFCB + ULKA 810233/R

Monoline Hit & RBI Policy

by omkar goswami

BY NOW, EVERYONE IS AWARE OF THE HITS TAKEN by the US banks and financial institutions on account of sub-prime mortgages and collateralised debt obligations (CDOs). Everyone expects more hits in the coming months, with the total write-down in the US to be around $450 billion. What has caught the market unawares is the additional hit that the system may have to take on account of monoline bond insurers.

US bonds need their credit risks to be underwritten by insurers. There are some insurers called the monolines, who 'rent' their AAA ratings to underwrite municipal bonds. Since municipal bonds are very safe, it is a good model: small capital base, AAA ratings, underwriting tonnes of safe papers for small fees resulting in good profits. In the aggregate, the monolines underwrite some $2.5 trillion of debt.

The RBI is a sound institution. However, this time the RBI has erred in not loosening interest rates

During the sub-prime and CDO frenzy, some monolines got lured by higher fees, and began underwriting sub-prime paper and related CDOs. For instance, the Ambac Financial Group had a direct exposure of $8.8 billion in sub-prime mortgage-backed securities and another $29 billion in CDOs. MBIA, another monoline, had an exposure of $5 billion in sub-prime paper, and $25 billion in CDOs. As defaults rose, so too did the losses of these firms. In Q4, 2007, Ambac lost $3.26 billion; and MBIA wrote down assets by $5.3 billion.

Given these large losses and relatively thin capital bases, the monolines are hard-pressed to re-capitalise — and face ratings downgrades. For instance, Fitch has already reduced Ambac's rating from AAA to AA. This downgrade creates systemic problems. When an insurer's credit rating is downgraded, so too is the rating of all the bonds that it has insured. Hence, for each monoline getting a lower rating, there is an identical downgrading of all the bonds underwritten by it — involving several billions of dollars. That, in turn, triggers mark-to-market losses of all institutions holding such bonds. Bloomberg estimates that a downgrade from AAA to AA can cost up to $200 billion in market-to-market losses. That is huge and unanticipated.

Now on to the RBI policy — which maintained status quo on the bank rate, repo and reverse repo and the CRR. The RBI is a sound institution. However, sometimes even the best make mistakes, and this time the RBI has erred in not loosening interest rates. Why?

First, interest rate arbitrage. At end-November 2007, the interest rate on three-month US treasury bills was 4.4 per cent, versus 7.50 per cent on Indian G-sec. With the 125-basis point Fed cuts, interest on three-month T-bills has dropped to 2.83 per cent, while three-month Indian G-SECs are ruling at 7.17 per cent. The arbitrage opportunity has widened dramatically, and will encourage global investors to borrow in dollars to invest in rupee bearing instruments. That will exert stronger pressure on appreciating the rupee.

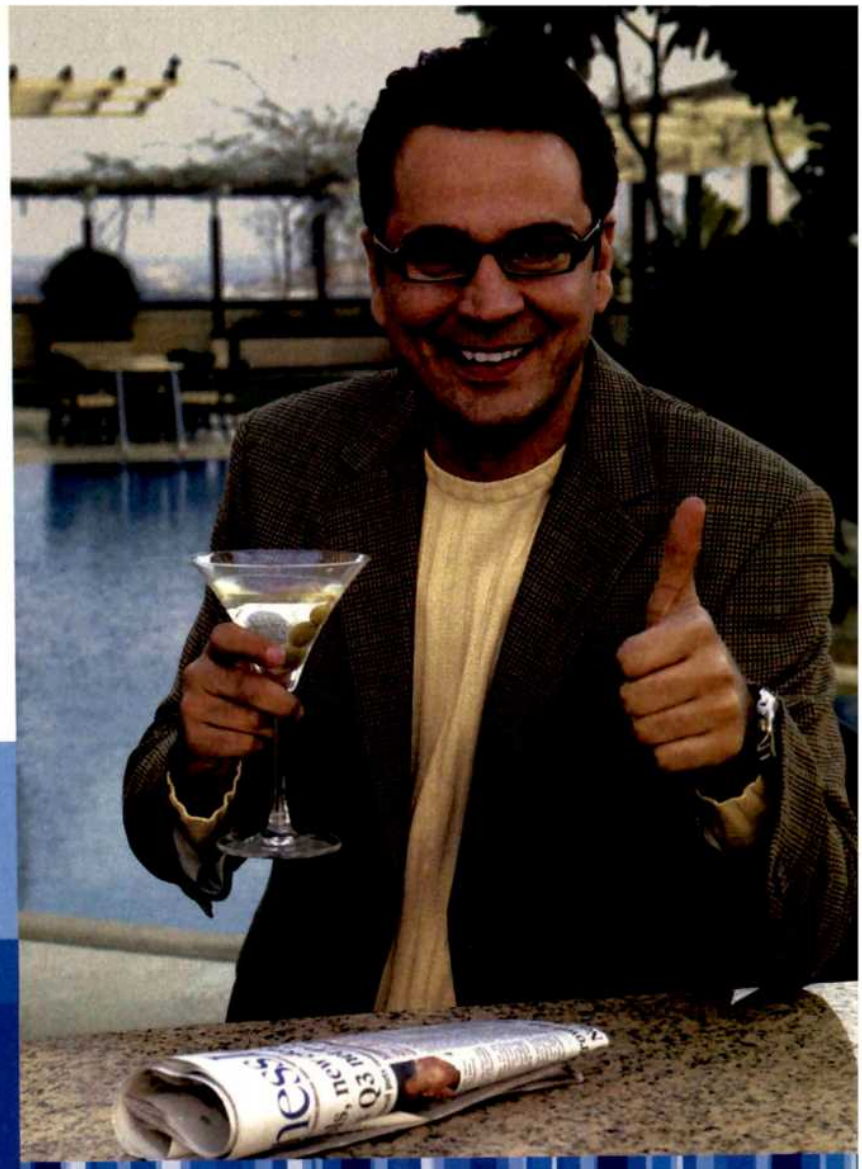
Second, high real interest rates. The prime lending rate (PLR) is between 12.75 and 13.25 per cent. At today's cost of living inflation of 5.1 per cent, this is one of the highest real rates in emerging economies. Thousands of small and medium businesses who borrow at, or over, PLR are hurt very badly.

Third, investments and corporate profits. The results of Q3, 2007-08 show that sales and profits are down for many manufacturing firms. Also, with higher interest rates and various bans on ECB, many companies are postponing or paring investment decisions. With industry running at full capacity, this is something that India cannot afford.

Fourth, India will achieve lower growth in 2008-09 — most likely 8 per cent, with a possibility of it going down to 7.5 per cent. Already, growth in the three-month moving average of the Index of Industrial Production has come down from 13.5 per cent in January 2007 to 8 per cent in November. Construction growth is also down. Anything that facilitates growth is welcome. The RBI's status quo has not helped.

Finally, the RBI's extreme stance inflation. The RBI clearly stated that inflation was down according to all measures: wholesale price inflation down to 3.8 per cent; manufacturing inflation down to 3.9 per cent; and each CPI-based inflation was down. Yet the RBI believed that there were "upside inflationary risks in the period ahead". Keeping interest rates high and choking growth because of an ultra-monetarist fear of inflation is not what India needed today. Pity that the RBI thought otherwise.

The author is chairman of CERG Advisory.
omkar.goswami@cergindia.com



helping you relish life beyond targets and deadlines

"how delightfully thoughtful!"

Come, discover this refreshing signature experience across 3 great Sarovar brands spanning over 35 delightful hotels pan-India.

SAROVAR PREMIERE
5 star premium hotel

SAROVAR PORTICO
3/4 star business hotel

Kometel
Economy hotel

Nobody covers India like we do!!! 35 hotels and more...

SAROVAR
HOTELS & RESORTS

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

www.sarovarhotels.com Toll Free Reservations: 1 800 111 222

enzcomm.com

Opening Closed Fists

by Rajesh Gajra and Piya Singh

A 25 per cent public shareholding will benefit investors

THE FINANCE MINISTRY'S PROPOSAL LAST WEEK TO increase the public shareholding limit to 25 per cent from the current 10 per cent, aimed at increasing investor participation in the public markets, has not gone down well with 32-year old Aditya Agarwal. The Kolkata-based second-generation entrepreneur of the Rs 1500-crore Emami group, which sells products ranging from personal care products to paper, is taking a break from pushing Boroplus sales and drawing a blueprint for the group's infrastructure venture. These days, Agarwal is keen on maximising the group's growth in different businesses so that he is not stuck with a low valuation once this proposal is formalised. "The ministry has been trying to push this move for the last 3-4 years," he says. "It seems to be of the view that promoters can manipulate pricing of their stocks since they hold substantial stakes. However, for companies like ours that are in the growth phase, the proposal may force us to sell some of our stake much before we really want to and we will not realise the true value of our enterprise."

Agarwal's fears may not materialise but mid-cap companies are unlikely to be delighted at the prospect of either diluting their stakes or issuing fresh equity that will impact shareholders' interests by bringing down the earning per share (EPS). Some corporate watchers even anticipate legal battles ahead. "I suspect some of the companies, especially mid-cap firms, will approach the courts to ensure that this proposal is scrapped," says an investment banker with a foreign bank who did not wish to be named. Others are worried about the manner in which this proposal is likely to be implemented. "While the move will deepen the capital markets, the reality is that companies, which have to align to this new proposal, will find the transition difficult," says Girish Vanvari, head of corporate finance at KPMG, a global consulting firm. "For instance, the three-months transition period that the ministry is talking about, is surgical. Promoters should be allowed two years to implement the move."

On The Slab

THE NEW PROPOSAL WILL AFFECT SOME COMPANIES THE MOST

	Market cap* (Rs crore)	Promoters (%)	Institutional inv. (%)	Retail & corp inv. (%)
NTPC	16,1652	89	8	3
DLF	13,7974	88	8	3
SAIL	88,721	86	12	2
TCS	85,505	78	16	6
Reliance Petroleum	71,460	75	7	17
Unitech	62,266	75	9	16
Wipro	61,749	80	8	11
Indian Oil	56,858	80	6	13
Power Grid Corp.	43,014	86	5	8
National Aluminium	28,250	87	9	3
Neyveli Lignite	23,857	94	5	2
Power Finance Corp.	21,859	90	8	3
Adani Enterprise	21,618	75	15	10
VSNL	14,816	76	14	3
Sun TV Network	14,045	77	8	15
Mangalore Refineries	13,620	89	2	9
Bharat Electronics	12,327	76	19	5
Lanco Infratech	10,558	75	16	9
Godrej Industries	10,250	79	12	10
Indian Bank	8,847	80	16	4
Tech Mahindra	8,306	84	6	10
I-Flex Solutions	7,879	81	2	17
Akruti City	7,696	90	1	9
Puravankara Projects	6,908	90	9	1

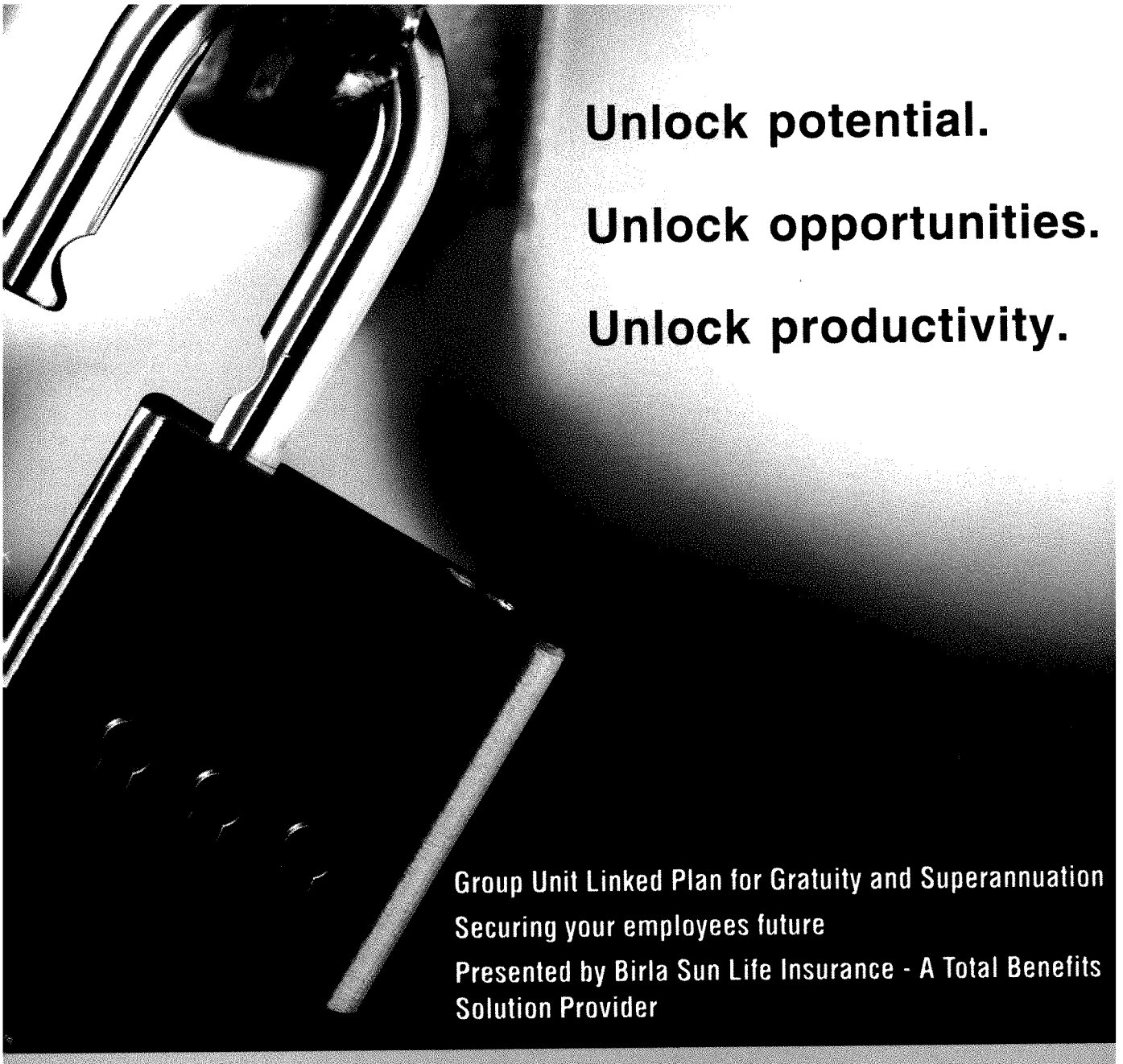
* as of 31 Jan 2008; The companies selected are those with the largest market cap on NSE and where promoters' holding is 75% or more

Source: Capitaline Plus, *BW* research

Not All That Bad

But not everyone is perturbed. Large Indian companies seem to be prepared for such a move, especially as the Sebi rule book provides for a minimum 25 per cent public shareholding if Indian companies want to remain listed on the stock exchanges. The loophole, so far, was offered by way of several exemptions that allowed large and mid-cap companies with a market capitalisation of more than Rs 1,000 crore to avoid having to comply with the 25 per cent condition for continuous listing. "In principle, we are required to do so under Sebi guidelines and the listing requirements. Naresh Goyal will meet the requirement as per the stipulated deadline," says Jet Airways' Executive Director Saroj Datta. The Tata group is equally unperturbed. "Two group companies (TCS and VSNL) are marginally impacted. We don't see it as a significant issue at present," says Group Finance Director Ishaat Hussain.

Even small-cap companies with a market capitalisation of less than Rs 1,000 crore are exempt if, at the time of their IPOs through the book building route, the norm in force was for their equity offer to be a minimum 10 per cent



Our **Group Unit Linked Plans** have high performance investment funds and are backed by innovative customised solutions, expert research, complete security of funds and a pioneer's understanding of the market.

• Group Gratuity Plan • Group Superannuation Plan
• Group Protection Solutions

Toll Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

Birla Sun Life Insurance

YOUR DREAMS. OUR COMMITMENT.

Birla Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading international financial services organisation.

Insurance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla Sun Life is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money Market, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way indicate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the sale. Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off Andheri Kurla Road, Andheri (E), Mumbai - 400 059. Reg. No. 109. ADV/01/07-08/1718. February 2008

Holding On

HIGHER MINIMUM PUBLIC FLOAT IS COMMON OUTSIDE OF INDIA

	Continuous listing requirement
Australian Securities Exchange	Persons not related to the company must hold not less than 25% of the total securities listed
Bovespa (Brazil)	Minimum 25% free float (public shareholding)
Deutsche Borse (Germany)	Minimum 25% free float
Hongkong Exchange	Minimum 25% public float or 15%-25% if market cap is over HK$10 billion
Korea Exchange	Minimum 30% public shareholding
London Stock Exchange	Minimum 25% public shareholding
NSE, BSE (India)	Min. 10% public shareholding if min. public offer condition was 10-25% at time of listing or whose market cap is over Rs 1,000 crore; min. 25% for rest
NYSE (US domestic)	Minimum public shareholding of 1.1 million shares
Singapore Exchange	Minimum 25% across at least 1,000 shareholders; 12-20% if market cap is over S$300 million
Tokyo Stock Exchange (Japan)	Not more than 75% of shares to be held by promoters and non-promoter 10 largest shareholders

Source: Respective exchanges' websites, *BW* research

of the post-issue capital. Further, all government companies are exempt at present.

Motive Of The Move

The finance ministry discussion paper, released on 1 February (and open for public comments till 28 February) now seeks to remove all exemptions to the 25 per cent norm. What will the move achieve? Marketmen feel that there will be more depth in the market, stock price manipulations will be minimised and the listing price for IPOs will reflect fundamentals better. "Higher mandated floating stock would minimise the risk of prices getting manipulated due to floating stock being low," says A. Balasubramanian, chief investment officer at Birla Sun Life Asset Management Company.

The proposal of a minimum 25 per cent public shareholding will have positive repercussions for the health of the primary market. "Promoters can create artificial demand by off-loading just 10 per cent, which, in turn, has to be appropriated amongst institutions, high networth- and retail investors," says Nirav Sheth, head of PMS at Brics Securities, a NSE brokerage firm. "A minimum 25 per cent initial dilution means 2.5 times increase in offering size under the new rules, and this could suppress scarcity premium and the listing price would better reflect fundamentals," he adds.

Besides, Indian promoters, who loathe ceding even part of their stakes (see 'Taking Control' *BW*, 24 September 2007), have faced this situation before. An analysis of aggregate holding of promoters across 1,597 BSE-listed companies shows that as on 31 December 2006, the promoters' aggregate holding was 51 per cent (Rs 16,11,003 crore) of the total holdings. This percentage shot up to 55.1 per cent (Rs 30,95,099 crore) as on 31 December 2007. No other category of investor, including foreign institutional investors (FIIs), registered such a sharp rise in their holding.

Till 1993, the Securities Contracts (Regulation) Rules, 1957 mandated a minimum public shareholding of 60 per cent. But even then, there were several relaxations. New companies with foreign or NRI equity participation and FERA companies were granted exemption. From 1993 to 2001, the minimum percentage was 25 per cent. From May 2001 to April 2006, Sebi used its powers to modify the norms and made it flexible for companies to hold, subject to a minimum of 10 per cent, that much of a percentage of its share capital in public hands as it was required to at the time of its initial listing. This gave scope for some companies to shore up their promoter holding up to 90 per cent. From April 2006, the current norm of 25 per cent, with many exemptions, applies.

It seems a bit odd that the finance ministry has not intervened since 2006 and taken away Sebi's powers to grant several relaxations to the 25 per cent norm, say some market participants. This lends credence to the idea that the move is a populist one. Be that as it may, India seems out of sync, compared to other international exchanges, in having a higher non-promoter shareholding criterion with the exception of the US (see table 'Holding On').

The finance ministry is also showing its keenness to implement the proposal by being tough on government companies. It wants to take away Sebi's power to relax any listing norms with regard to government companies. While Indian companies may take heart from this, they may be apprehensive about the finance ministry's recent views on the status of domestic institutional investors such as mutual funds and FIIs, who have, so far, been considered as a part of the public shareholding.

Now, the ministry wants to question whether the definition of the public shareholding should include these investors. This could mean that non-promoter ownership may go up by the holdings that these institutional investors own in several large and mid-cap Indian companies. If the ministry does decide to exclude institutional investors from the definition of public shareholding, several large Indian promoters, who will have to divest more of their stakes, may turn out to be as apprehensive as Agarwal about the implementation of the 25 per cent public shareholding proposal.

rajesh.gajra@abp.in; piya.singh@abp.in

HIGH PERFORMANCE FUNDS

EXPERT RESEARCH

INNOVATIVE CUSTOMISED SOLUTIONS

INDEPTH UNDERSTANDING

SUPERIOR SECURITY

WHEN IT COMES TO

GROUP EMPLOYEE BENEFITS

AND RETIREMENT SOLUTIONS,

WE'RE THERE !!

Our **Group Unit Linked Plans** have high performance investment funds and are backed by innovative customised solutions, expert research, complete security of funds and a pioneer's understanding of the market.

Toll Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

Birla Sun Life
Insurance
YOUR DREAMS. OUR COMMITMENT.

Birla Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading international financial services organisation.

Insurance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla Sun Life is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money Market, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way indicate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the sale. Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off

News Channel War

by Gurbir Singh and Srikanth Srinivas

INX News is making headlines even before its launch

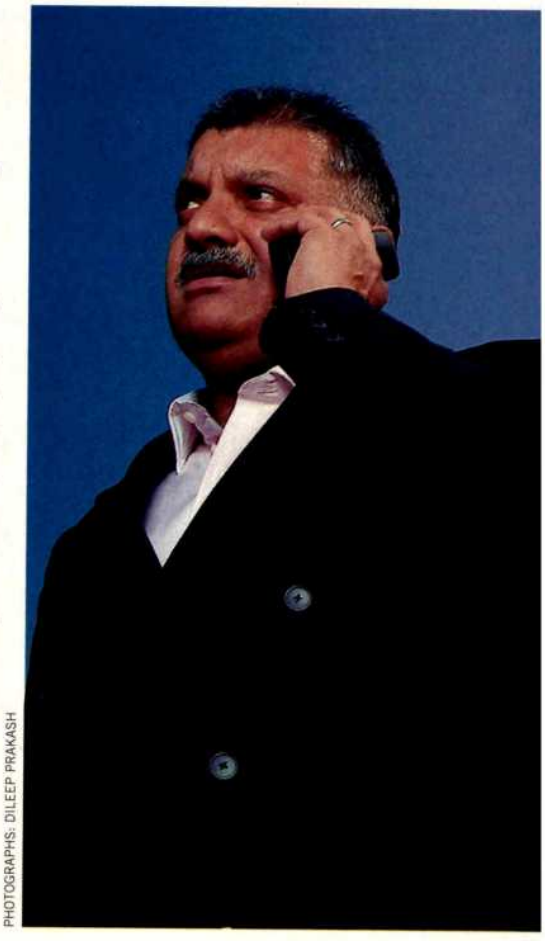
NEWROOMS AROUND THE COUNTRY HAVE BEEN buzzing since Friday last with gossip about the goings-on in the yet-to-be-launched news channel from INX News. First, the high profile CEO of INX News, veteran journalist Vir Sanghvi, parted ways with the two original promoters of the INX Group, Peter Mukerjea, the ex-CEO of Star TV, and his wife, Indrani. Soon after, alleged strong-arm tactics were used by the Mukherjea's to run out the channel's Chief Editor, Avirook Sen, a Sanghvi appointee, and some other journalists. All this has brought sleepy blogs alive with debates around who is responsible for the mess at INX News.

When it was launched in March 2007, the INX Group has raised close to $290 million for its two corporate entities. INX Media owns the entertainment and media channels and the controlling stake in the company is held by a group of investors, including Singapore fund Temasek Holdings (20 per cent), New Silk Route Partners (20 per cent), Srei Capital, two Kotak investment firms and New Vernon (15 per cent), while the Mukerjea investment vehicles own the balance 45 per cent.

In the holding company for the news operations, INX News, Indrani Mukerjea (I.M.Media) has a controlling stake of 63 per cent mainly raised through debt. Foreign investors, including Temasek, hold 26 per cent, while the remaining 11 per cent is spread over sweat equity and some Indian investors such as Kotak. This included a 3 per cent holding by Sanghvi that has now been bought back by the company.

But things began to fall apart and the company failed to meet several launch deadlines. 9X, INX Media's entertainment channel, and Music X, its music channel, were launched on schedule in December last year. But INX News, which was also supposed to go live in December 2007, did not. Thereafter, the 14 January deadline too has gone past, while 14 February too is now seen as an unrealistic target.

Sources in the Mukherjea camp have blamed Sanghvi. It was his job as the CEO of INX News to put the channel together, they say. While most news channels have launched in six to nine months, Sanghvi's critics in INX say he failed to build a team and implement his plans. "There is yet no business team in place and Sanghvi did not know 90 per cent of the journalists hired," one source said.

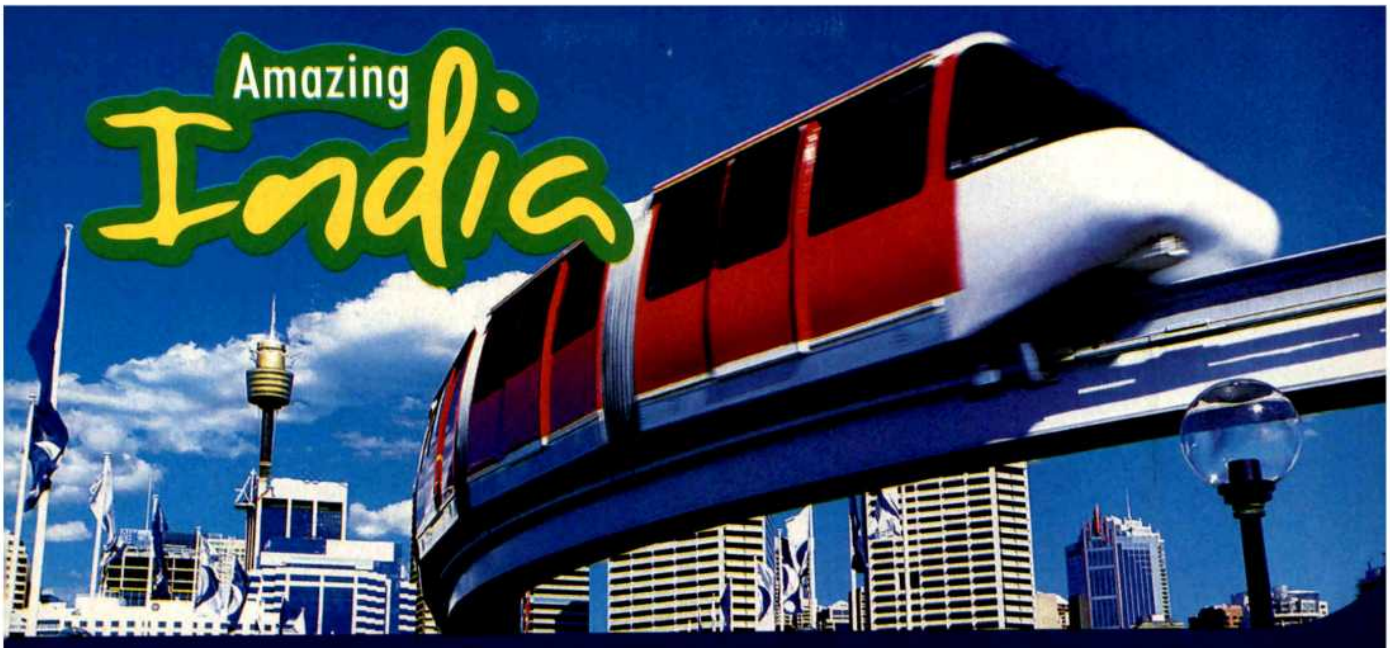


PHOTOGRAPHS: DILEEP PRAKASH

HAM-HANDED: Hard talk from INX Group Chairman Peter Mukerjea has the makings of a potboiler

When contacted, Sanghvi declined to answer questions stating that he was bound by a non-disclosure clause in his agreement with INX. But industry sources say it would be wrong to hold Sanghvi accountable for the delays at INX News because Indrani Mukherjea, who owns the majority stake in the company, was interfering in the company's operations. Sources close to Sanghvi say that his relationship with Indrani Mukherjea, while once close, became strained. Later, Sanghvi's side says, the veteran journalist also became ethically uncomfortable with some of the decisions INX News made.

While Sanghvi's exit caused a major media rumble, the simmering feud in the network really boiled over soon after Sanghvi quit. Avirook Sen, the channel's chief editor and a Sanghvi appointee, was accused of "moral turpitude" and physically forced out of INX News' offices by security guards. Sen and a delegation of journalists met Union Information & Broadcasting



Infrastructure will change India.

As you read this, mega projects in construction, power, petroleum, transport, energy and more are taking shape across the country. The HDFC Infrastructure Fund helps you grab a share of the pie, by investing in these high growth sectors. So you can take advantage of the future, today.

INVEST IN THE NEW

HDFC INFRASTRUCTURE FUND

A 3 year close-ended Equity Scheme with automatic conversion into an open-ended Scheme upon maturity.

SMS HDFCMF to 56767

Unit Price **Rs.10.** NFO closes 21st Feb. '08.

HDFC MUTUAL FUND

For more information or copy of the Offer Document and Key Information Memorandum along with application form please contact any of our Investor Service Centres (ISCs) at: **WEST:** Mumbai – 022-6631 6300, Vashi – 022-398 8029, Nagpur – 0712-663 0301/02, Nashik – 0253-661 1831/32, Pune – 020-2552 1680/1681, Aurangabad – 0240-398 8029, Kolhapur – 0231-398 8029, Ahmedabad – 079-4005 0055/66, Rajkot – 0281-662 4881/82/83, Vadodara – 0265-6621110/20, Surat – 0261-246 0082/83, Anand – 02692 - 398 200, Jamnagar – 0288 - 398 8029, Bhavnagar – 0278-398 8029, Goa – 0832-242 5609/10, Indore – 0731-424 5434/35, Bhopal – 0755-428 5385, 427 7772, 527 3330, **NORTH:** Delhi – 011-663 24000, Chandigarh – 0172-262 3397/262 4497, Lucknow – 0522-220 7591/220 0163, Ludhiana – 0161-277 4321/501 4321, Kanpur – 0512-2331 484-87, Jaipur – 0141-511 1125, 237 4968, Jodhpur – 0291-510 1927/37, Varanasi – 9935177068, **EAST:** Patna – 0612-223 0540, 320 1439, 220 0747, Kolkata – 033-2242 7849/53/56/59, Bhubaneshwar – 0674-645 0502/1502, Jamshedpur – 0657-242 6730, **SOUTH:** Chennai – 044-4397 9797, Bangalore – 080-6620 5300, 9901622900, Hyderabad – 040-2341 7401/05, Kochi – 0484-235 7707/08, 394 3058/59, 235 8462, Visakhapatnam – 0891-276 9636, Coimbatore – 0422-439 1861/62/63, Mangalore – 0824-428 5333/36, Trivandrum – 0471-231 2226/27, Madurai – 0452-398 8029, Calicut – 0495-409 9222/333, 398 2310.

REGISTERED OFFICE: Ramon House, 3rd Floor, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai - 400 020. Tel.: 022-66316300. Fax: 022-22821144. **Risk Factors:** All mutual funds and securities investments are subject to market risks and there can be no assurance that the Scheme's objectives will be achieved and the NAV of the Scheme may go up or down depending upon the factors and forces affecting the securities market. Past performance of the Sponsors and their affiliates / AMC / Mutual Fund and its Scheme(s) do not indicate the future performance of the Scheme of the Mutual Fund. There is no assurance or guarantee to unit holders as to the rate of dividend distribution nor that dividends will be paid regularly. Investors in the Scheme are not being offered any guaranteed / assured returns. The NAV of the units issued under the Scheme may be affected, inter-alia by changes in the interest rates, trading volumes, settlement periods, transfer procedures and performance of individual securities. The NAV will inter-alia be exposed to Price / Interest Rate Risk and Credit Risk. The Scheme (at portfolio level) to have >/= 20 investors and no single investor to account for >25% of its corpus, at the time of allotment. The Scheme offers redemption facility at monthly intervals and to that extent has limited liquidity. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of individual nature of tax consequences, each investor is advised to consult his/ her own professional tax advisor. **Scheme Specific Risk Factor:** The majority of the equity/ equity oriented investments could be under the single sector. Hence if the said sector does not perform positively as expected by the Fund Manager of the Scheme, the Scheme's performance may be adversely affected due to a risk associated with non diversification and thus could affect the value of investments. **HDFC Infrastructure Fund**, a 3 year close-ended equity scheme with automatic conversion into an open-ended scheme upon maturity, is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects and returns. Please read the offer document before investing. **Investment Objective:** To seek long-term capital appreciation by investing predominantly in equity and equity related securities of companies engaged in or expected to benefit from the growth and development of infrastructure. **Asset Allocation Pattern:** Equity and Equity related instruments of infrastructure/infrastructure related companies (min. 65%; max 100%); Equity and Equity related securities other than that of infrastructure/infrastructure related companies (min. 0%; max 35%) and Debt Securities and Money Market Instruments and Fixed Income Derivative (min. 0%; max 35%). Investment in securitised debt not to exceed 30% of the net assets of the Scheme. **Load Structure: Entry Load:** The Scheme being a close-ended scheme is not permitted to charge entry load; **Exit Load:** Nil. The balance proportionate unamortised initial issue expenses will be recovered from the Unit holder if an Unit holder exits the scheme before the amortisation of initial issue expenses is completed. **Terms of Issue:** The Units are available at face value of Rs. 10/- per unit during the New Fund Offer Period. Till conversion, the Scheme will offer redemption facility only during the Specified Redemption Period (i.e. first two Business Days of each calendar month) as mentioned in the Offer Document. The scheme will mature after 3 years and upon maturity, the Scheme will automatically be converted into an open-ended scheme. The AMC will calculate and publish the first NAV of the scheme not later than 30 days from the closure of the New Fund Offer Period. Subsequently, the NAVs will be calculated and disclosed at the close of every Business Day. **Statutory Details:** HDFC Mutual Fund has been set up as a trust sponsored by Housing Development Finance Corporation Limited and Standard Life Investments Limited (liability restricted to their contribution of Rs. 1 lakh each to the corpus) with HDFC Trustee Company Limited as the Trustee (Trustee under the Indian Trusts Act, 1882) and with HDFC Asset Management Company Limited ("HDFC AMC") as the Investment Manager.

EXIT CLAUSE: Vir Sanghvi became "ethically uncomfortable" with some of the decisions INX News made

Minister Priyaranjan Dasmunsi on 1 February and complained of this. Significantly, they also raised an issue that was until then only being muttered about — that of the "sources of funds" behind Peter and Indrani Mukherjea. According to the delegation that met Dasmunsi, INX News had breached government rules that limited foreign ownership in news channels to 26 per cent.

So far, Dasmunsi has declined to intervene in the internal affairs of the network, though he showed concern about the imbroglio. "The manner in which the eminent editors have been treated and the rights of media personnel have been reportedly infringed upon is really a matter of great concern for free and fair journalism in the country," a press release from I&B minister's office said. The release also said the I&B Ministry had referred "the allegations on sources of funds to the concerned desk of the Finance Ministry to ascertain the facts through their investigation wing".

Sen was reluctant to comment about the alleged financial problems at INX. He said he was trying to resolve his personal issues but now the talks are "lawyer to lawyer". "I don't know about the financial charges but I have been treated shabbily," he says. Sen also insists he had the teams in place to launch INX News, but the production and other essential facilities had not been put together by the management. To make his point, Sen forwarded *BW* an email he had been sent by Nick Pollard, the former Sky TV chief who is the de facto head of INX's news operations. In the 9 November email, Pollard lauds Sen for his work: "I have become a great admirer of your leadership, your news judgment and your ability to get the best out of this fascinating team that is coming together."

Peter Mukerjea, Chairman of INX Group, conceded that the handling of Avirook Sen and other senior editors was ham-handed by shooting off a mail to Sen regretting the incident. Mukherjea, however, declined to withdraw the charges of moral turpitude leveled against Sen. He also denied any financial wrongdoing at INX News and insisted the Finance Ministry had done its due diligence before giving the clearances the company needed to get its foreign investments.

The question being also asked in media circles is: Were the promoters of the INX Group realistic when expecting Sanghvi to be an administrator working with production teams to meet launch targets? He was best suited to be an icon for the channel. His job should have ended with overseeing editorial work and anchoring the key shows. The administration should have been left to someone else.

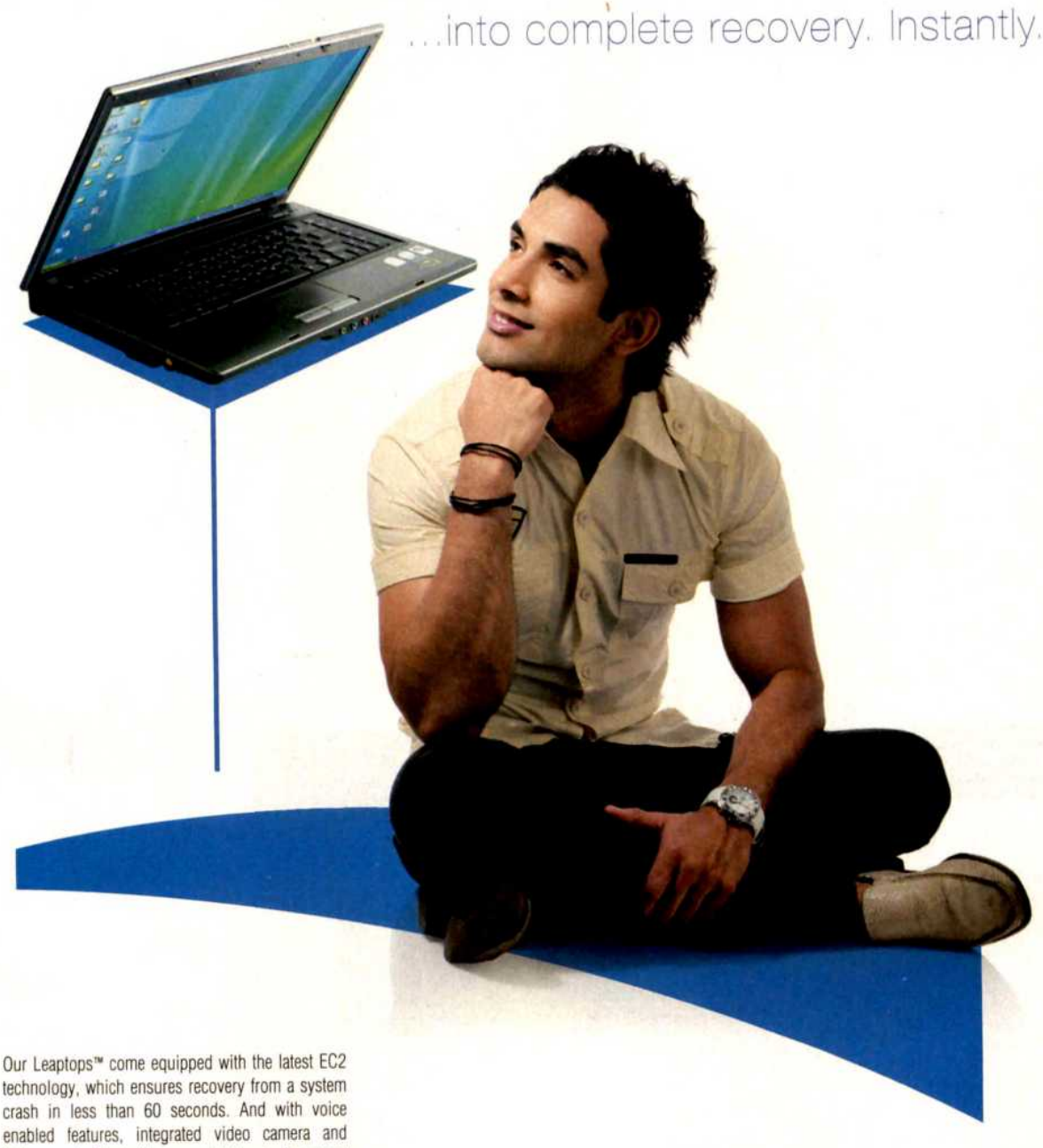
So what happens now to the INX News channel? As of now, there is no launch date. The channel has undergone a corporate shake-up with people with an editorial background being walled out from management after Sanghvi's exit. Vyensley Fernandes, earlier head of HR, has moved up as COO to oversee administration, and the editor-in-chief will not have major production and administrative functions. There also seems to be a leadership crisis on the editorial side with senior newsroom personnel, including Rajesh Sundaram, Prakash Patra and Arun Roychowdhury, having quit. "Another 20 were on the chopping block on 'Black Friday' after Sen was asked to leave, but the brouhaha over his ouster has saved many for now," says a former staffer.

The official word from INX is that there is no crisis. The company has appointed Arup Ghosh, former NDTV and Sahara Samay anchor, as newsroom head. "We will also shortly announce the appointment of our editor-in-chief," Indrani Mukherjea said in a statement. The company says it is running three news bulletins in a day.

With 200 journalists and a 100 production personnel to back them up, INX's news channel has the resources to be up and running soon. However, whether it will be able to live down its questionable HR practices, and the bitter break-up between its key players is another matter.

gurbir.singh@abp.in

...into complete recovery. Instantly.



Our Leaptops™ come equipped with the latest EC2 technology, which ensures recovery from a system crash in less than 60 seconds. And with voice enabled features, integrated video camera and high-speed Bluetooth connectivity, a Leaptop™ takes care of all your hardware and software needs.

Since we pioneered computer technology in India, it's not surprising to see products like these emerge from our stable. High performance computers, a range of business servers, PCs that work on car batteries and crash-proof Leaptops™, all stem from over 30 years of experience. And these are all backed by the widest support infrastructure in India.

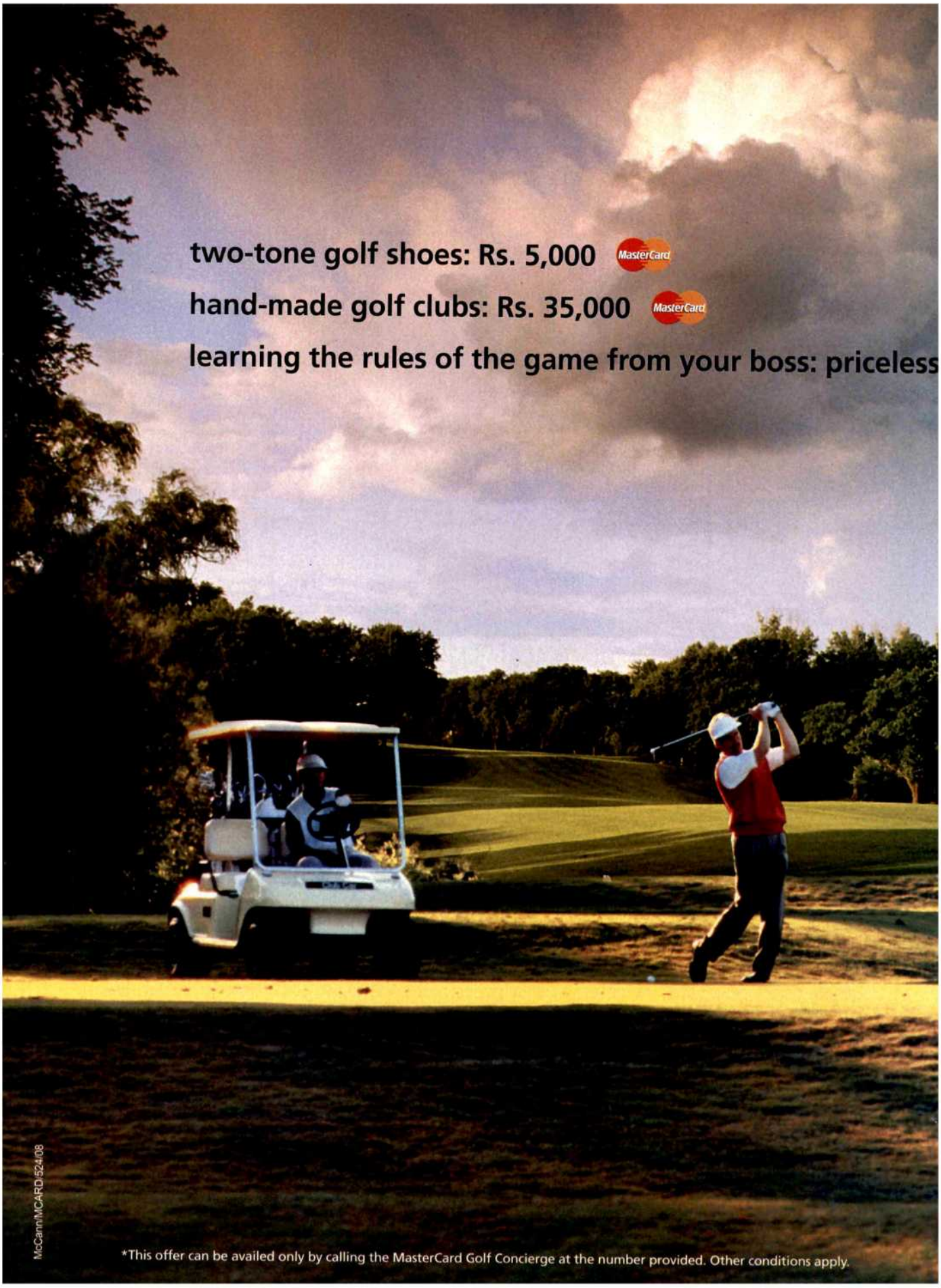
So if you're looking for a computing solution that's hard to beat, look no further.

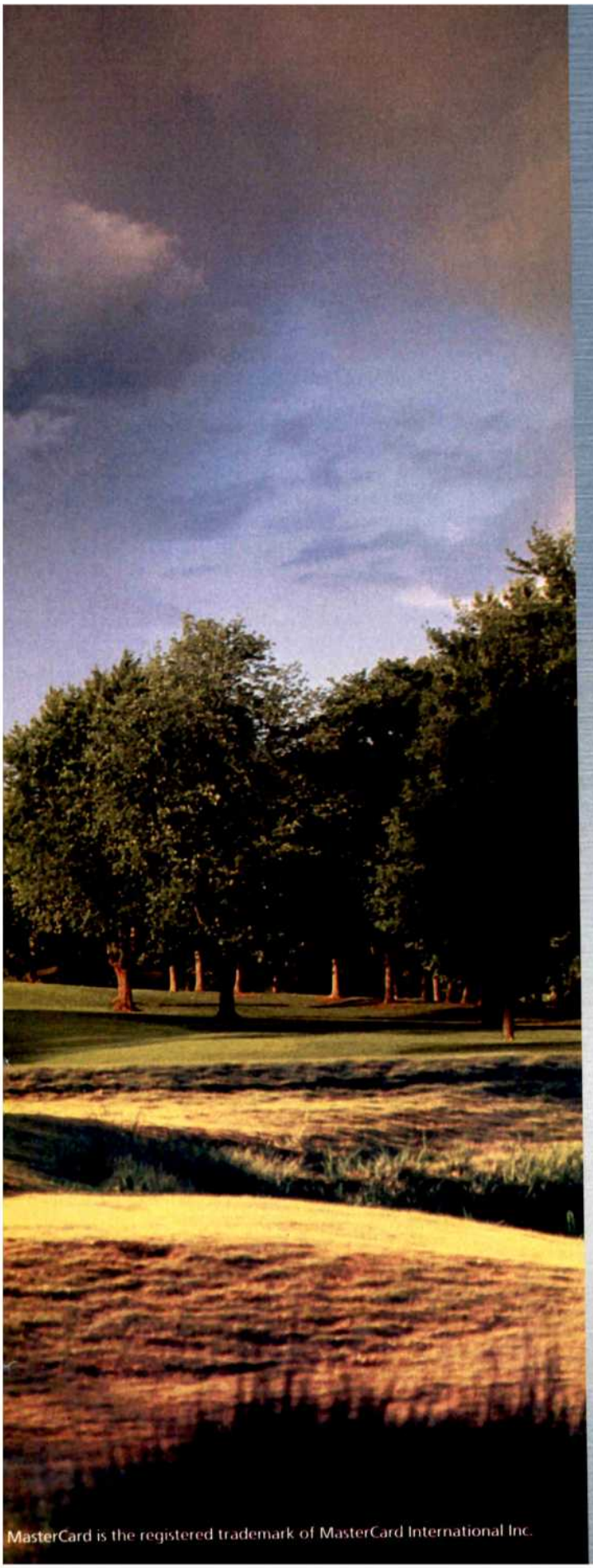
TECHNOLOGY
that touches ***lives***™

HCL Enterprise provides various IT services, and manufactures and distributes various IT products like desktops, notebooks, workstations, servers, printers, projectors, security products and storage solutions.

www.hcl.in | $ 4 BILLION ENTERPRISE | 45,000 PROFESSIONALS | OPERATIONS IN 17 COUNTRIES

HCL


two-tone golf shoes: Rs. 5,000
MasterCard
hand-made golf clubs: Rs. 35,000
MasterCard
learning the rules of the game from your boss: priceless
*This offer can be availed only by calling the MasterCard Golf Concierge at the number provided. Other conditions apply.
McCann/MCARD/524/08



Enjoy exclusive access to 15 premier golf courses with the new MasterCard Titanium card.*

Bring along a guest and tee off at your favourite course this weekend. Also benefit from a dedicated golf concierge, get up to 50% discount on green fees, special access to golf clinics and exclusive tournament invites only with your MasterCard Titanium Card. After all, success always comes with its perks. A comfortable life, no matter where you are, is just one of them.

Call the MasterCard Golf Concierge at 011- 46015757.
Monday to Saturday, from 9 am to 5 pm.

Other MasterCard Titanium Specials:

Exclusive access to MasterCard airport lounges.

Special retail offers at luxury boutiques, spas and restaurants.

Visit www.mastercardmoments.com

MasterCard

there are some things money can't buy, for everything else there's MasterCard.

MasterCard is the registered trademark of MasterCard International Inc.

Paradigm Shift

by Gauri Kamath

Pharma companies are shifting focus to specialty drugs

GERMANY'S MERCK SERONO KICKED OFF WHAT could be a troubling trend for Indian pharmaceutical companies when it stopped development on melogliptin, an experimental anti-diabetes drug it had licensed from Mumbai-based Glenmark Pharmaceuticals. Originally, the deal between the two companies had been celebrated by Glenmark as it would have seen Merck pick up the costs of conducting the expensive human trials for the drug. But Merck has decided to drop further work on melogliptin after it acquired Swiss biotech company Sereno and decided to focus on speciality areas, such as oncology and fertility.

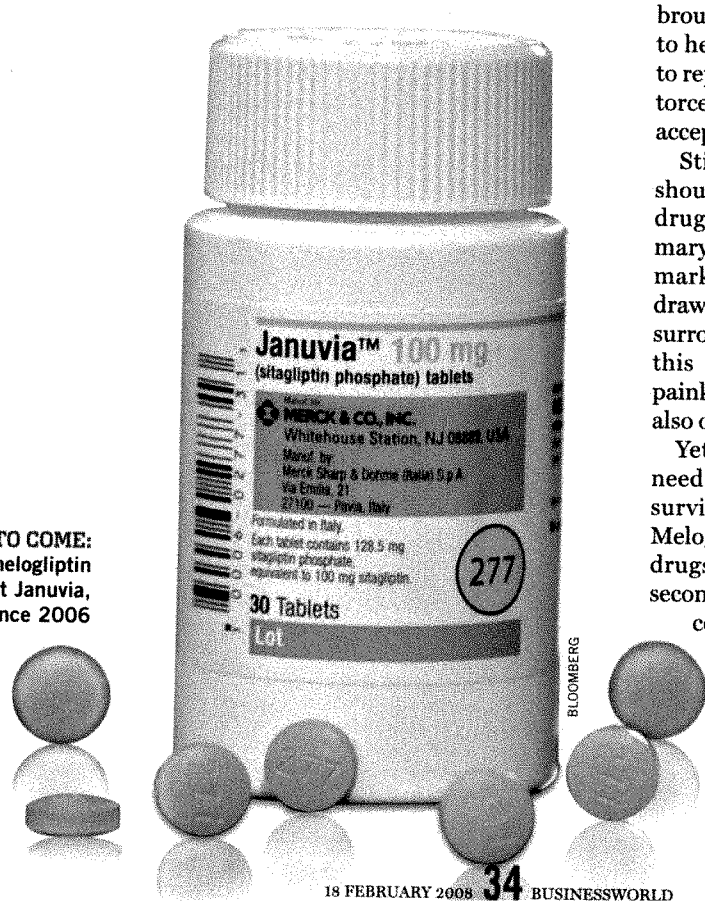
The decision reflects how dynamics in the global pharmaceutical industry are changing as companies struggle to fill weak product pipelines and sidestep competition from generic drugs by focusing on specialised cures. This could hurt Indian companies keen on licensing potential drugs to foreign companies as most local firms have focused on traditional areas, such as diabetes, pain and cardiology. "I won't be surprised if such moves are afoot in other companies," says Ashish Singh, the New Delhi-based managing director (MD) of Bain Consulting. He also says the push away from R&D in primary care to specialty areas where there aren't enough drugs, little generic competition, and trial batches smaller is likely to become stronger.

Merck's decision to get out of anti-diabetes drugs underlines the problem. In the late 1970s, it had given the world metformin, a drug that came to be acknowledged as the gold standard in diabetes management. But Merck has been unable to repeat that success. Marketed drugs in Big Pharma's traditional focus areas, such as cardio, diabetes, pain and psychiatry are losing patent protection in the West and face competition from cheap, generic alternatives. It is also growing more expensive to take a new drug to market as regulators demand ever larger and costlier trials.

Pfizer, whose cholesterol reducer Lipitor is set to lose patent protection in the US in 2010, recently announced a new R&D chief to review and prioritise fund allocation in R&D. It also brought in a senior oncology research executive to head clinical development. Pfizer's attempt to replace Lipitor with another cholesterol drug torcetrapib failed when it was found to have unacceptable safety issues in trials.

Still, not everyone believes all Indian firms should now mirror the push towards specialty drugs. "There is still large opportunity in primary care," says Glenn Saldanha, MD of Glenmark. He cites the vacuum created by withdrawn painkiller Vioxx and the safety concerns surrounding that class of drugs as an example of this opportunity. Glenmark has licensed a painkiller to US-based Eli Lilly and says he will also offer melogliptin to other foreign firms.

Yet the question of whether Indian firms need to move beyond 'me-too' innovation to survive in a more demanding world remains. Melogliptin is a third in a new class of diabetes drugs of which the first is on market, and the second on its way there. The market is therefore competitive. Indian firms have done almost only this kind of research since the risk is lower. But it also means that unless it offers a superior value proposition a molecule has few takers and may be vulnerable to pipeline reviews.



BLOOMBERG

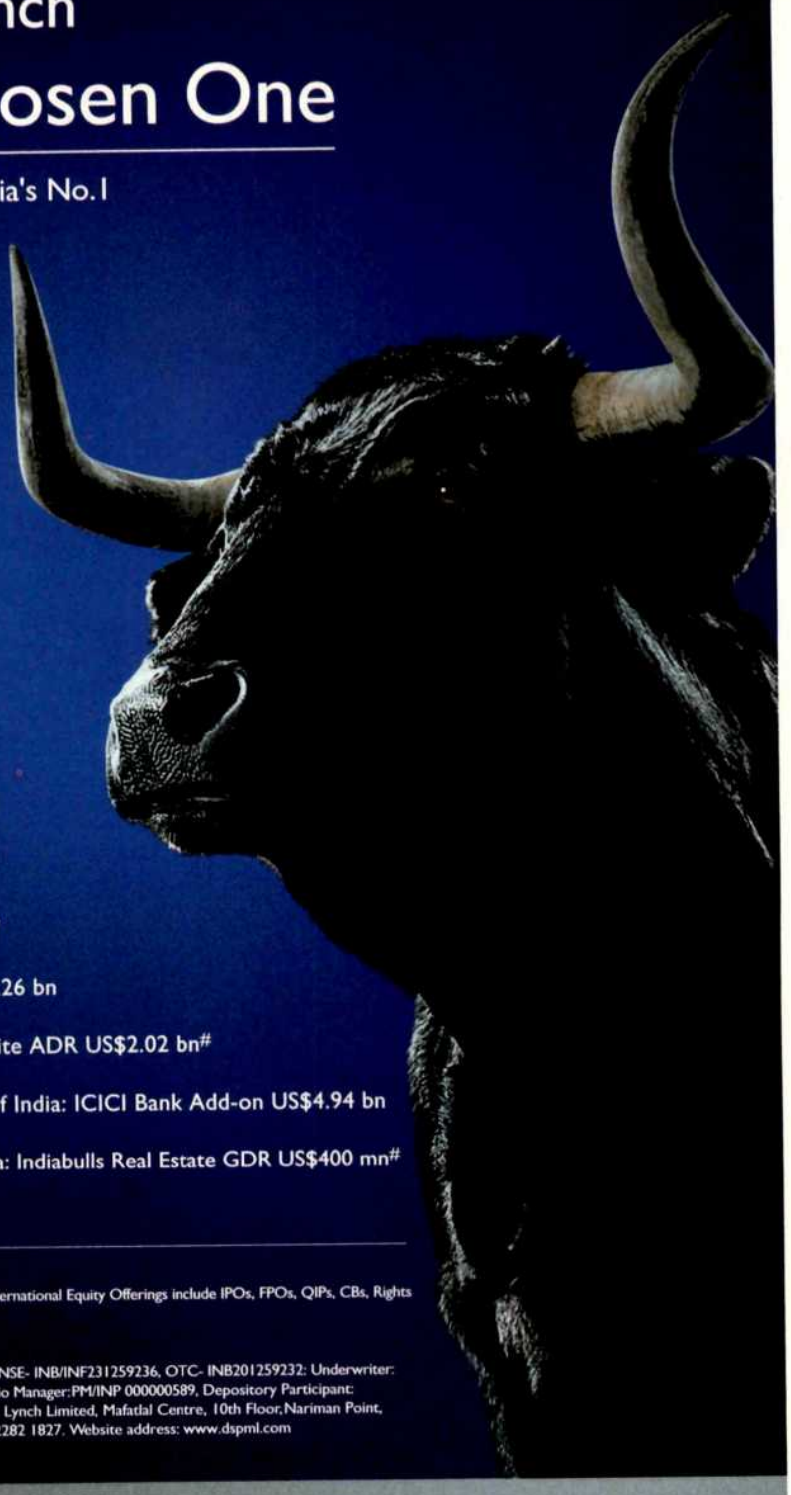
MORE TO COME: Glenmark's melogliptin is up against Januvia, available since 2006

gauri.kamath@abp.in

DSP Merrill Lynch

The Chosen One

DSP Merrill Lynch Ranked India's No.1
Equity House for 2007*

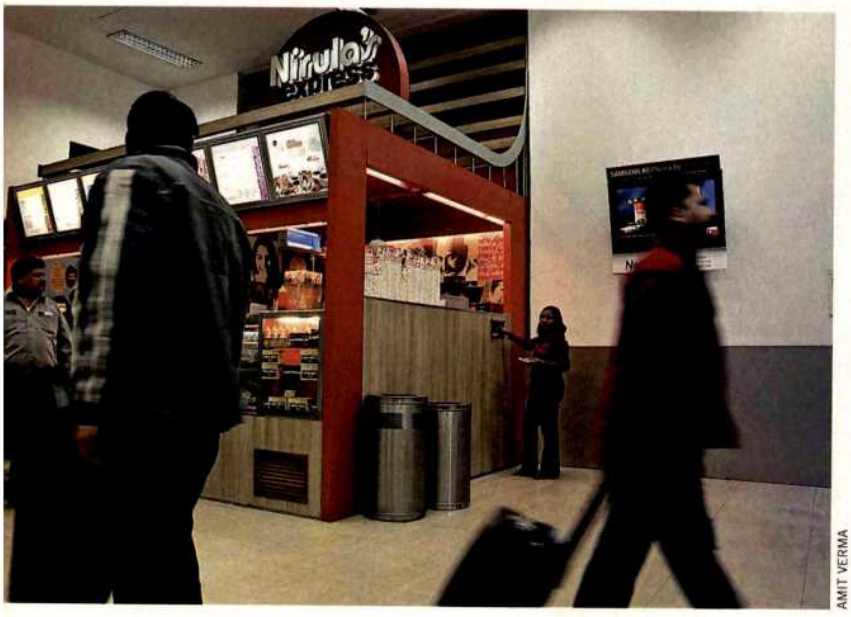


- Raised more than US$13 bn in 2007
- Largest IPO out of India: DLF US$2.26 bn
- Largest ADR IPO out of India: Sterlite ADR US$2.02 bn#
- Largest Indian Equity Offering out of India: ICICI Bank Add-on US$4.94 bn
- Largest sole bookrun deal out of India: Indiabulls Real Estate GDR US$400 mn#

*"For CY 2007 as per Dealogic. Indian Domestic and International Equity Offerings include IPOs, FPOs, QIPs, CBs, Rights Offerings - ADRs and GDRs."
2007: Best Domestic Equity House by Euromoney.
#Lead managed by Merrill Lynch.

SEBI Regn. Nos. Stock Broking: BSE- INB/INF 011259232, NSE- INB/INF231259236, OTC- INB201259232: Underwriter: INU000000605: Merchant Banker:INM000002236, Portfolio Manager:PM/INP 000000589, Depository Participant: IN-DP-NSDL-223-2001. Registered Address: DSP Merrill Lynch Limited, Mafatlal Centre, 10th Floor, Nariman Point, Mumbai - 400 021. Tel.: (91-22) 6632 8000. Fax: (91-22) 2282 1827. Website address: www.dspml.com

DSP Merrill Lynch



AMIT VERMA

Controlled Groundspace

by Puja Mehra

GMR is looking for new fund sources for the Delhi Airport

THE FINANCING PATTERN OF THE MODERNISATION of the Indira Gandhi International (IGI) Airport is under revision. The joint-venture partner of the Airport Authority of India (AAI), infrastructure major GMR, is examining several alternatives for funds. These include the issue of bonds, preference shares and rights. It is also examining a scale down of the project as it fears the international airport on the outskirts of Delhi in Greater Noida — just cleared by the Centre at the behest of the Uttar Pradesh government — will eat into IGI airport's traffic.

A search for fresh sources of capital has become necessary for Rs 3,000 crore — a third of the total phase I cost — because the government has barred GMR from raising 'advance deposits' from commercial developers at the airport. It has already tied up loans for Rs 4,000 crore and Rs 1,000 crore has come as equity.

Confirming that GMR has said it is renegotiating with the project's lenders, Civil Aviation Secretary Ashok Chawla rules out delays. "The hotel rooms will be delayed, but the mandatory capital expansions — the new runway and the green field integrated terminal building — are on track," Chawla says. "They have told us orally that they are revising the scheme to do away with advanced deposits, though there is no substantive progress on the kind of scheme." GMR too confirms it is speaking to its lenders.

STOP SHOP: GMR can't raise advance deposits from commercial developers at the IGI Airport

In mid-2007, the board of the Delhi International Airport Limited (DIAL) — the company set up by AAI and GMR for executing the modernisation — set up subsidiaries to take up what it calls non-core jobs. The subsidiaries invited bids from hotel developers and cargo operators. After these bids were received, late last year, the ministry of civil aviation ruled that the use of subsidiaries for contracting the mini-projects violates the legal agreement between the AAI and GMR for IGI airport's upgradation. The ministry called for the Attorney General's (AG) opinion on its view and halted the award of the contracts. The AG ruled that though DIAL can contract works itself, its subsidiaries can not.

However, subletting work at the airport using subsidiaries is not the real bone of contention. It has become so over DIAL's decision — driven by GMR's need to garner funds for the modernisation — to raise advanced deposits. The subsidiaries sought advance deposits of Rs 63 crore an acre for 30 years from the successful bidders. The AAI fears the advance deposits will lower rentals and revenue. The legal agreement between the two is silent on advance deposits. The AG's verdict is that advance deposits "may or may not lead to revenue losses for the AAI." Representatives of the AAI and the government on the DIAL board slept over the move in August 2007. They have since been changed.

The ministry is worried if the project has turned commercially unviable for GMR. In its over-zealous attempt to bag it, GMR bid a revenue share — of 46 per cent — unheard of in the aviation world. "What they lost on the swings, they want to make good on roundabouts," says a source. He revealed that the ministry has informally conveyed its worries to GMR's promoter, G.M. Rao. "At the time of the bid, the project was twice as big as the group's turnover," he rues. Though the project was later scaled up by three times, equity commitments to it remain untouched at Rs 1,000 crore. Unless the AAI pumps in capital to subscribe to its share of the equity or quasi-equity options being worked out, its ownership of DIAL will get diluted from the existing 26 per cent, which the Left and trade unions are unlikely to allow. Seems like, aside of fresh funds, IGI airport's modernisation needs bigger equity commitments from both GMR and the AAI to fly out of the air pocket it has hit.

puja.mehra@abp.in

Selected Business Superbrand INDIA 2006 Industry Validated

www.mcxindia.com

For fluctuating ECGs, there's medical insurance. For fluctuating commodity prices, there's MCX.

Whatever threat you may face, chances are you have the option of insuring against it. But what about your business? Is it protected against the singular and constant threat of fluctuating commodity prices? Commodity exchanges provide the opportunity to hedge against this price uncertainty by offering a transparent platform where buyers and sellers can lock-in a mutually acceptable price and protect themselves from unfavourable price movements. It's an assurance your business can't do without. At MCX, we are proud to provide it.

sms MCX to 57333
call 1800-22-9444
or 022-4003 6990

Hedge in the futures market on

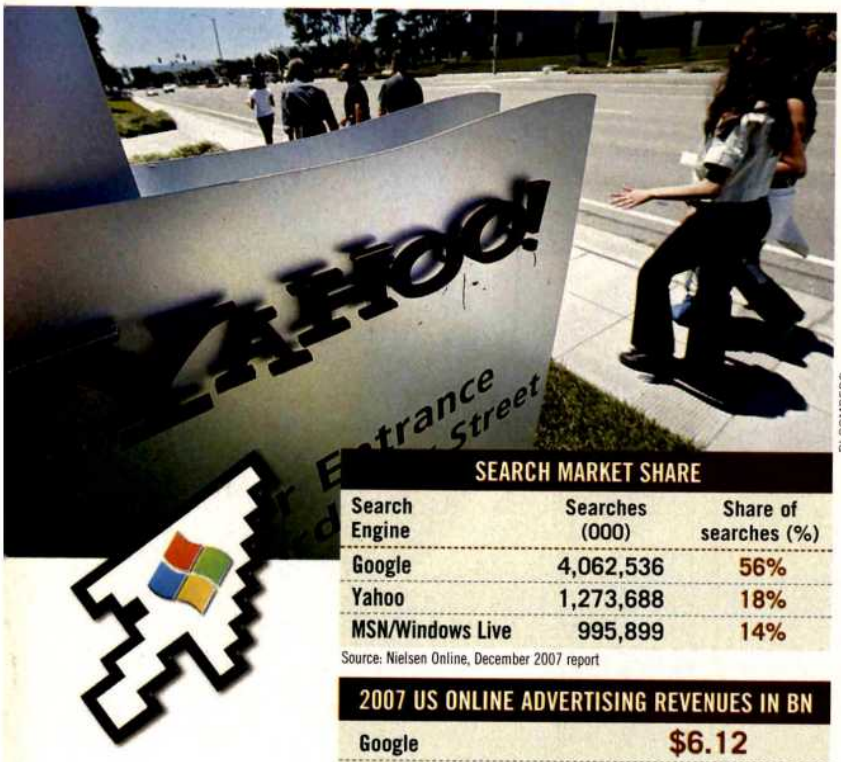
MCX
India's No.1 Commodity Exchange
A Financial Technologies Group Company

MCX is India's No.1 commodity exchange. Source: FMC website (www.fmc.gov.in) based on turnover in terms of value for FY 07.
Disclaimer: MCX is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a public issue of its equity shares and to file a Draft Red Herring Prospectus with SEBI.

LOWE MCX 144 2619

Caught In The Web

by Dhanya Krishnakumar



BLOOMBERG

MEGACLOUD: it's not just Microsoft and Google who have been eyeing Yahoo's assets

SEARCH MARKET SHARE		
Search Engine	Searches (000)	Share of searches (%)
Google	4,062,536	56%
Yahoo	1,273,688	18%
MSN/Windows Live	995,899	14%

Source: Nielsen Online, December 2007 report

2007 US ONLINE ADVERTISING REVENUES IN BN	
Google	$6.12
Yahoo	$3.33
Microsoft	$1.41
Microsoft + Yahoo	$4.74
Google + Yahoo	$9.54

Source: Bloomberg USA Today

Yahoo is searching for potential bidders to outbid Microsoft

EVEN AS THE JURY IS OUT ON WHETHER A Microsoft-Yahoo deal will redo the online space, the story gets murkier. Yahoo, which has been tagged at $44.6 billion by Microsoft, is looking for rival bids before it takes a decision. And rumour has it that Yahoo's financial advisers, Goldman Sachs Group and Lehman Brothers Holdings, are scouting for potential bidders who will be able to outbid Microsoft.

Although Yahoo Chief Executive Jerry Yang, in an e-mail to employees, categorised Microsoft's bid as "this proposal is just that — a proposal", research firm Gartner believes that both Microsoft and Yahoo could benefit from a relationship. "Only very large companies with a high level of cash flow can engage in the 'megacloud' business — the bringing together of powerful market forces to benefit from their synergies," says Andrew Frank, vice-president of research at Gartner. "Google and Microsoft have the money and the ambition to compete in such activities. While Yahoo already interoperates with Microsoft, it also likely realises the challenges of being a stand-alone business and sees that some type of deal with Microsoft now rather than later may offer advantages."

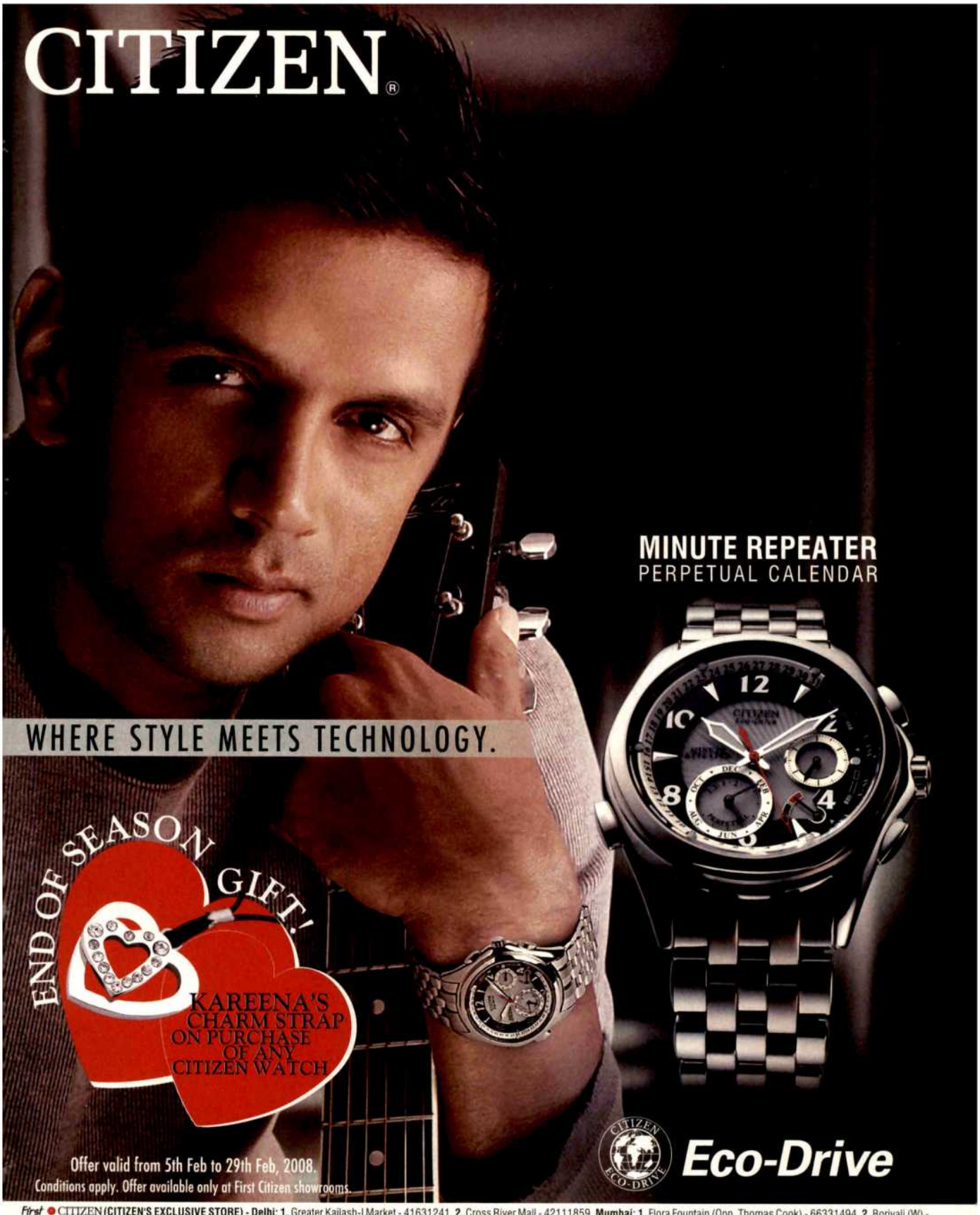
Microsoft has sought this pairing with Yahoo alleging that Google is enjoying a monopolistic advantage in the online search market. Google has hit back on its official blog saying that if this deal were to go through, it could "raise troubling questions about the future of the internet". According to David Drummond, Google's chief legal officer, the bid brings the possibility of Microsoft's attempt to exert "inappropriate and illegal influence over the internet". Google fears that a successful takeover would give Microsoft a major share of Web-based e-mail and instant messaging services, and limit consumers' ability to freely access competing services.

Google, of course, is best positioned to take on Microsoft with a higher bid, but for the fear of attracting anti-trust scrutiny. So, it is attempting to convince AOL Time Warner, in which it has a 5 per cent stake, to propose a bid to thwart Microsoft. Yahoo has, in fact, been in negotiations with Google to outsource its Web search advertising in Europe. But disagreements on the revenue sharing model between the two led to those being abandoned. Now talks are rife that Yahoo is reopening the discussions. If Yahoo manages to reach a successful agreement, it could in effect mean that Yahoo outsources its search and advertising functions to Google while concentrating on other areas where it is traditionally strong, including mobile applications, social networking and content sharing.

It's not just Microsoft and Google who have been eyeing Yahoo. Communication companies such as AT&T, Comcast and Verizon have been interested in it too. But so far, no one has made an attempt to better Microsoft's offer.

Yahoo may be running out of options. There are very few companies that can and are willing to try and outbid Microsoft. Yahoo can attempt to sell off unproductive business lines such as Yahoo Auctions and Yahoo Music Unlimited to boost revenues and say independent. The other option is to work out a favourable deal with Google. If that fails, Yahoo has no choice but to give in to the unsolicited bid by Microsoft.

dhanya.krishnakumar@abp.in



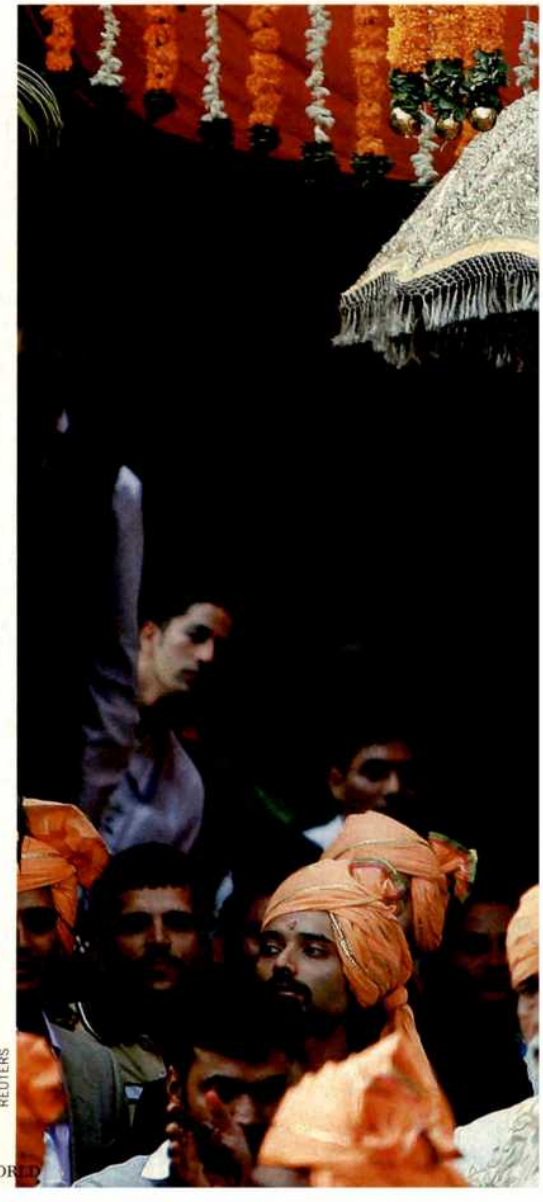
First ● CITIZEN **(CITIZEN'S EXCLUSIVE STORE) - Delhi: 1.** Greater Kailash-I Market - 41631241. **2.** Cross River Mall - 42111859. **Mumbai: 1.** Flora Fountain (Opp. Thomas Cook) - 66331494. **2.** Borivali (W) - 28333077. **3.** Santa Cruz (W) - 32648008. **Chennai: 1.** Spencer Plaza - 28492760. **2.** Anna Nagar East (Opp. Naidu Hall) - 26630425. **3.** Ramaswamy Street, T. Nagar - 42641733. **Kolkata:** City Center - 23584305. **Bangalore: 1.** Safina Plaza - 25325757. **2.** Sri Raghavendra Complex, Jayanagar - 41211511. **Agra:** TDI Mall, Fathehbad Road - 4014620. **Ahmedabad:** C.G. Road - 26460700. **Baroda:** Siddharth Complex - 2300888. **Calicut:** Focus Mall - 3017700. **Chandigarh:** Sector 17E - 2703251. **Coimbatore:** Thiruvenkataswamy Road (West) - 2551349. **Durgapur:** Dream Plex City Centre - 2543607. **Ghaziabad:** Shipra Mall - 2689614. **Goa:** Communidade Building, Panjim - 2238882. **Guntur:** Arundelpet Main Road - 2229899. **Gurgaon:** Gold Souk - 6522556. **Hyderabad: 1.** Methodist Complex - 23324686. **2.** City Centre Mall, Banjara Hills - 66754497. **Indore:** Treasure Island - 4215265. **Jaipur: 1.** Crystal Mall - 5111057. **2.** GF - 8, MGF Mall - 5118844. **Kochi: 1.** M. G. Road - 2383525. **2.** Bay Pride Mall - 4025351. **Lucknow:** Fun Republic Mall - 3915984. **Mangalore:** Bharath Mall - 4253253. **Mysore:** D. Devaraj Urs Road - 4246370. **Patna:** Bibha Complex - 2238808. **Pune:** Sahajanand Complex - 26348165. **Ranchi:** Capitol Hill Shopping Complex - 2330323. **Secunderabad:** Hardy Complex - 66339331. **Surat:** Anjan Shalaka, Athwa Lines - 2258209. **Trivandrum:** M.G. Road - 2458554. **Varanasi:** Indraprasth Multiplex - 327790.

For Institutional Sales enquiries, e-mail to institutional@citizenwatches.co.in Shop online at www.firstcitizen.in

www.citizenwatches.co.in

A law with FLAWS

P. Vaidyanathan Iyer



REUTERS

CORPORATE MARRIAGES: The road can now be long and full of bumps

NOVEMBER 2008. THE Nano, Ratan Tata's 'people's car', is poised for a Diwali launch. Suddenly, a rival carmaker alleges the Nano's price amounts to predatory pricing. The Competition Commission of India (CCI) asks Tata Motors to disclose its entire costing structure. The company gets embroiled in a new and untested regulatory milieu, and rivals celebrate the delay and work overtime on their own low-cost cars.

This scenario, unfair as it seems, could easily play out under the new Competition (Amendment) Act, 2007, that the Parliament passed quietly and without debate last September.

Every country needs a competition law, and given the cartelisation rife in many Indian industries, the Indian government's own version has been a long time in coming. Some disagree even with this. "It is true that competition policy is important for disciplining markets, but it

The stealthy arrival of the Competition (Amendment) Act 2007 signals an ominous return of draconian laws

is a relatively new phenomenon in emerging economies," says Nagesh Kumar, director general of Research and Information Systems, an independent think tank on global trade. But what is certain is that the new competition law is too flawed to work effectively, MR Prasanna, group executive president (legal) with the Aditya Birla Group, said at a recent seminar in Mumbai. "The distinction between predatory behavior and competitive pricing is very thin and not easily ascertainable," he said.

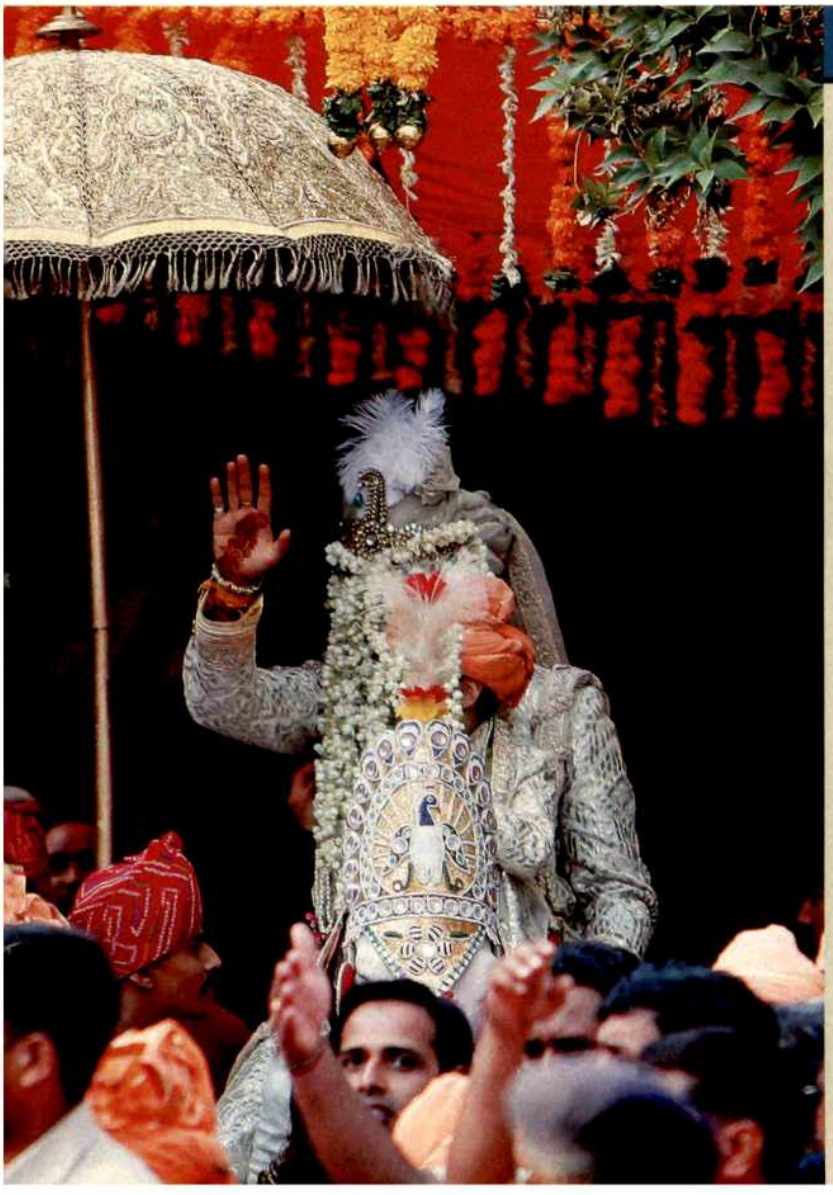
Bharat Vasani, legal counsel for the Tata Group, and chairman of the legal affairs committee at the Bombay Chamber of Commerce and Industry (BCCI), says it is clumsy and amateurish. "The CCI's draft regulations on predatory pricing leave many questions unanswered," he says. "For instance, it is not clear if advertising and marketing costs will be added while computing the cost of production. Firms should not be penalised for operational efficiency and capacity utilisation."

What India Inc. seems to agree on is that the most retrograde aspect of the law is its view on mergers and acquisitions (M&As). Except for some notable exceptions, such as Rajiv Kumar, chief executive officer of the Indian Council for Research on International Economic Relations (ICRIER), and Subir Gokarn, chief economist with Standard & Poor Asia Pacific, most CEOs say the Act would deter M&A activity.

Under the law, which was drafted by the Ministry of Corporate Affairs, all M&As in India with a combined turnover of Rs 3,000 crore, or assets in excess of Rs 1,000 crore, will have to be mandatorily reported to the CCI, which will then decide whether to clear them. More significantly, there is also a separate threshold for group turnover (Rs 12,000 crore) and assets (Rs 4,000 crore) specified by the Act.

EXECUTIVE SUMMARY

- **Mandatory notification of all M&As and long waiting period for clearances will kill corporate deals**
- **Assets and turnover threshold for notifying the commission will prevent India Inc. from scaling up and competing in the global market**



Time to worry

1. Competition Commission's proposed staff strength: 125 (50 economists, 50 lawyers and 25 finance professionals). Govt yet to approve it, though the Act was notified four months ago

2. Amended Competition Act makes notification compulsory for all combinations (M&As), irrespective of geographies, extent of control and size of transaction

3. The turnover and assets thresholds of companies and groups are meager. These were fixed six years ago. The Act provides for review every two years

4. Dominance definition vague. No quantitative parameters like market share or concentration specified. Subjectivity will rule given the lack of authentic market data for most sectors

5. 210-day waiting period for clearance of M&As can kill deals. Further, no timeframe specified for Appellate Tribunal to dispose of appeals.

Future Tense?

Globally M&A deals worth $4.48 trillion were announced in 2007 as against $3.61 trillion in 2006 — a growth of 24 per cent.

	Value (in million $)			Volume		
	2007	2006	2005	2007	2006	2005
Inbound	15,500.95	5,399.75	5,173.93	112	76	56
Outbound	32,759.04	9,914.15	4,298.52	243	190	136
Cross-border	48,259.99	15,313.90	9,472.45	355	266	192
Domestic	2,852.48	4,990.87	6,848.01	321	214	151
Total M&A	51,112.47	20,304.77	16,320.46	676	480	343
PE	19,031.08	7,859.43	2,033.00	405	302	124
Total Deals	70,143.55	28,164.20	18,353.46	1,081	782	467

Source: Grant Thornton

Nitin Potdar, partner at J. Sagar Associates, and a specialist in M&As, says while competition law by definition should apply most to a country's largest entities, the definition of "group" in the Indian law is obtuse. "Given the typical Indian ownership structure and other legal procedural constraints, these provisions need a fresh look."

Since almost 85 per cent of Indian firms are using M&As as a core growth strategy, impediments to this could really hurt the economy, says Harish B.V., a partner at Grant Thornton.

At present, under existing Sebi guidelines, it takes about six months for a merger to go through, says Prasanna. But after the Act, it will raise the time taken to 14 months, even if one is aggressive about the timeframe. "Indian companies will become an outcast given this scenario," says Sanjeev Krishan, executive director of transactions at PricewaterhouseCoopers, referring to the large number of overseas acquisitions India Inc. is making these days.

SUBHABRATA DAS

UNRELENTING: Minster for Corporate Affairs Prem Chand Gupta

Both the US and the European Union, as well as other industrial countries, have their own laws that are designed to check anti-competitive agreements between companies, abuse of dominant market positions, and M&As that could result in monopolies. While these laws can also take up to 200 days to review large mergers, they have well-defined parameters that apply only to very big deals. "Most countries link dominance to market share, not to asset and turnover thresholds," says Tatas' Vasani.

The Act, experts agree, applies easily to too many companies and mergers. In fact, many executives and experts paint the Act as a tyrannical successor to the old Monopolies and Restrictive Trade Practices (MRTP) Act, which nourished corruption and constrained Indian industry's growth. "The competition Act and regulation should not bring back MRTP Act in another name," says Tarun Das, chief mentor of Confederation of Indian Industry (CII), referring to the fact that the MRTP Commission is slated to be dissolved two years after the CCI is finally constituted.

Size Matters

The biggest flaw in the Act is that it regulates M&As solely on the basis of the asset size and revenue of the parties involved, not the size of the deal, says Sunil Mittal, chairman and managing director of Bharti Airtel and President of CII. Mohandas Pai, director, human resources at Infosys Technologies Ltd, agrees, "A revenue threshold does not make any sense. The transaction size too should be looked at." Executives also point to the US's Hart-Scott-Rodino Act, which uses a two-step test to judge mergers — the size of the transaction and the size of the companies making the deal. This also serves as a filtering device by excluding small transactions from the regulator's review.

The other problem is that even if one accepts the Act as it is, the thresholds it defines as 'large' for assets and revenue were arrived at almost six years ago, in 2002. "Considering the deal sizes in India, for instance, Hindalco-Novelis ($6.4 billion; Rs 25,600 crore) and Vodafone-Hutch (over $11 billion; Rs 44,000 crore) during the last two years, the thresholds are very low," says PwC's Krishan. While the Act itself provides for a review of the asset and turnover thresholds every two years, two years is a long time for mergers to be stuck in a bureaucratic quagmire. "The focus of competition regulation should be to check inappropriate market practices that can arise out of market dominance," says

Chanda Kochar, joint managing director and chief financial officer of ICICI Bank. "But without hampering entrepreneurship and growth."

Mergers Matter

Estimating the market dominance of a company on the basis of size per se is not an economically sound proposition, says Mittal. "India needs to achieve economies of scale to be globally competitive and, thus, the Act's instant provisions are not suitable for the country at the current stage of our economic development."

Currently, most Indian industries are extremely fragmented and the lack of scale in most industries makes India a high-cost economy. Amit Mitra, secretary-general of the Federation of Indian Chambers of Commerce and Industry (Ficci), points out that India has 30,000 firms in the pharmaceutical sector. "China has 17,000 and is working to bring them down to just 17 by encouraging and forcing consolidation," he says. "China's biggest advantage over India is its scale in manufacturing. In a developing economy, is this an appropriate time to enact a law which prevents scaling up?"

The impact of the Act in this area is also worrying for business groups planning huge acquisitions abroad. "The next three to five years also present a great time for companies to buy cheap assets abroad," says Vasani, whose corporate house is poised to buy the Land Rover and Jaguar brands for about $2 billion. "The (Act's) threshold levels of turnover and assets will hamstring domestic companies."

Significantly, at a time when Indian corporations expanding overseas are facing resistance from the foreign companies they will be competing with, the Act gives foreign companies wanting to invest in India the edge over domestic firms, says a senior executive who does not wish to be named. If, for example, Dr Fresh Inc, the American consumer goods firm whose Indian operations have revenues of Rs 160 crore, wanted to acquire, say, the toothbrush unit of the Balsara Group, which has revenues of Rs 200 crore, the deal would not fall in the CCI net. That's because the revenues of both companies are well below the Act's threshold. But if Indian major consumer goods major ITC bid for Balsara's toothbrush unit, it would have to get the CCI's clearance since its turnover of Rs 13,000 crore is well above the Act's threshold. Since ITC's proposal could take up to 210 days to get the CCI's clearance, it is probable that Balsara would prefer to go with Dr Fresh.

TRIBHUWAN SHARMA

IS THIS THE RIGHT TIME?
Amit Mitra
Secretary General of Ficci

Who Benefits?

It's not clear who will benefit from the low threshold levels of the Act. Indeed, the CCI itself will scarcely have the time, resources or the competence to review all notifications it will receive under the Act's present rules. Given the deal frenzy of 2007 (see 'Future Tense' on page 42), the CCI will receive numerous complex notifications every week. Given the realities of the Indian political system, regulations that govern matters of such complexity and financial size conjure up fears of over-zealous bureaucrats who hold papers hostage for months and corrupt politicians who create rate-cards for speedy clearances. Though no executive or entrepreneur talked about this on the record, informally this was the issue that concerned them the most. Ficci's Mitra referred to the problem as the return of the inspector raj. "It (the Act) will result in a most punitive inspector raj at a

Killer amendments

What will trigger an M&A notification

Location	Threshold assets	Threshold turnover
Company		
India	Rs 1,000 crore	Rs 3,000 crore
World	$ 500 million	$1.5 billion
Groups		
India	Rs 4,000 crore	Rs 12,000 crore
World	$2 billion	$6 billion

Section 5 of the Competition Act

Waiting Period

The Competition (Amendment) Act, 2007 gives the regulator up to 210 days to clear a merger or acquisition deal. Further, any person or company, can appeal with the Appellate Tribunal against the CCI order, which, the Act says, would endeavour to dispose of within six months.

SUBHABRATA DAS

TOO FLAWED TO WORK: M.R. Prasanna, Executive president (legal), AV Birla Group

time when Indian companies are trying to be globally competitive," he says.

Indeed, the politics around the Act scarcely advertises good governance. The Bill was introduced in the Parliament on 29 August last year by Minister for Corporate Affairs Prem Chand Gupta, a member of Lalu Prasad's Rashtriya Janata Dal. Gupta introduced the Bill while the Parliament was debating the Indo-US civilian nuclear deal. While ministry officials are eloquent about Gupta's "excellent floor management" skills, there was no debate and discussion on the Bill. It was carried by a voice vote in the Lok Sabha on 6 September. On 10 September, the Rajya Sabha cleared the Bill. The President notified it soon afterward.

Significantly, Ficci, CII and major corporate houses say they were never really consulted before the Bill was tabled, a charge the ministry denies. Vinod K. Dhall, acting chairman of CCI, says the details of the Act were placed in the public domain in December 2006. "Industry had a full seven months to respond," Dhall says. "Perhaps they never expected the Bill to be enacted so fast." (see 'Can't Exclude M&A Control' on page 48)

But the CII's previous president, R. Seshasayee strongly opposed the legislation in a letter he wrote to Gupta on 7 May 2007. The Act "would not only impose burdensome costs in terms of time and resources on the enterprises, but also create an impression of excessive regulation of business", he wrote. The Investment Commission, headed by Tata Group Chairman Ratan N. Tata, also placed its apprehensions before the government, so did the International Bar Association.

A Tangled Web

India's attempt to frame a new competition law to replace the old Monopolies and Restrictive Trade Practices (MRTP) Act began in 1999. A nine-member high-level committee headed by former MMTC chairman S.V.S. Raghavan was set up and charged with suggesting a legislative framework. But the committee stirred controversy when it recommended that companies must notify the CCI of M&As. Three of the committee's members — Sudhir Mulji, P.M. Narielvala and Rakesh Mohan — dissented. It was perhaps Rakesh Mohan, now deputy governor of the RBI, who best described his dilemma and fears. He said he had a "sinking feeling" because "at a time when India was freeing entrepreneurial spirits, the committee was not only recommending the creation of a new and powerful governmental body, but also vesting it with tremendous discretionary authority".

Curiously, when Parliament passed the Competition Act, 2002, it did not contain the Raghavan Committee's recommendations of mandatory notification. But the Act ran afoul of the judiciary, which objected to the CCI, a regulatory body, having judicial powers. The Ministry of Corporate Affairs agreed to amend the Act. To accommodate the concerns of the judiciary, it drafted a new Bill in March 2006 that made provision for a competition appellate tribunal. This body would be distinct from the CCI, headed by a retired judge and charged with hearing appeals against orders given by the CCI. This proposed Bill was referred to the Parliament's Standing Committee on Finance. But for some reason, the committee revived the Raghavan Committee's old recommendation of mandatory notification. Initially, the ministry defended voluntary notification. "Prior approval of all cases may lead to delays and unjustified interventions," the ministry wrote to the committee. But in the middle of last year, the ministry had a sudden change of heart and agreed to mandatory notification. Gupta now says voluntary notification could have resulted in regulatory uncertainty since the CCI could reopen even settled mergers subsequently. "The CCI could also adopt an arbitrary pick-and-choose approach, which could be biased or discriminatory against some of the market participants," he says. But an industry chamber official, who did not wish to be named, said the change was forced by the Left parties. Of course, the Left is an easy target for India Inc. Other sources say the ministry decided upon

Our R&D raises even global standards. Without costing you the earth.

Crompton Greaves is one of the top electrical engineering companies in the world. Thanks to our strong belief in R&D. Our acquisition of leaders like Pauwels, Ganz and Microsol not only extends our reach but also our R&D capabilities. Thus making us the most innovative and preferred company worldwide.

www.cglonline.com

70 YEARS
At home, across the world.

Crompton Greaves
EVERYDAY SOLUTIONS

AMC/CG/10-07/01

Transformers . Switchgear . Power Quality . Motors & Alternators . Drives . Railway Signalling . Fans & Appliances . Lights . Pumps

AMATEURISH: Bharat Vasani Legal counsel for Tata Group

SUBHABRATA DAS

mandatory notification as it gave officials great leeway in collecting "expedite" fees for mergers that they could now delay on bureaucratic or political whims. (Proof of the delays plaguing babu-land is not needed. But it is ironical that the CCI itself, which was officially set up in 2003, still has not even been sanctioned its manpower budget.)

New Opposition

To be fair, the new Act is not all bad. Sections 3 and 4 of the Act, which relate to anti-competitive agreements or cartels, and abuse of dominance, respectively, are well-drafted and have not met with much criticism from India Inc. This is important as cartel-like prices and behavior can be noticed in various Indian industries such as airlines, cement, tyres, shipping, timber and banking. The CCI has discussed the situation in banking with the Reserve Bank of India (RBI) and asked many companies in other industries to cease cartel-like behavior.

But companies and industry organisations are becoming increasingly vocal in their criticism of the Act as they wake up to its provisions. At a meeting the CII organised to formulate a response to the M&A aspects of the Act, senior executives from companies such as the Bharti Group, Ranbaxy and ITC used expressions such as "a matter of life and death" and "draconian law" while describing the Act's provisions.

Dhall says the CCI is open to addressing companies' concerns in the rules and regulations the commission is drafting to implement the Act. "Over 85 per cent of M&As will be cleared within 30-60 days after a prima facie review," he says. But while rules and regulations can accommodate industry's concerns, they cannot deviate too much from the original law. Dhall admits regulations need clearance from an advisory committee, which will, for sure, examine if they conform to the letter and spirit of the Act.

We Need Speed

Governments and regulators have long debated whether M&As should be part of competition law, and whether such laws end up impacting competition adversely. In India, a company is said to be "dominant" if it can operate independently of competitive forces in the market. A company is seen to be abusing its "dominant" position if it imposes unfair and/or discriminatory conditions on the purchase or sale of goods and services, or indulges in predatory pricing (by selling goods or services below the cost).

It is in this context that the dominance said to be resulting from M&As should be carefully studied. "Lack of quantitative parameters to define dominance makes the concept extremely vague and discretionary," says Prasanna. For instance, before Hindalco merged with Indal, the two almost controlled the aluminum market between them. "At a certain time post-merger, the entity had 100 per cent market share. But the dominance did not harm the end-consumer," he adds. Assets are definitely not the only criterion for establishing dominance. "To be of any consequence in the global market, we have to consolidate. We need deal certainty and deal speed. No one wants Indian arbitration."

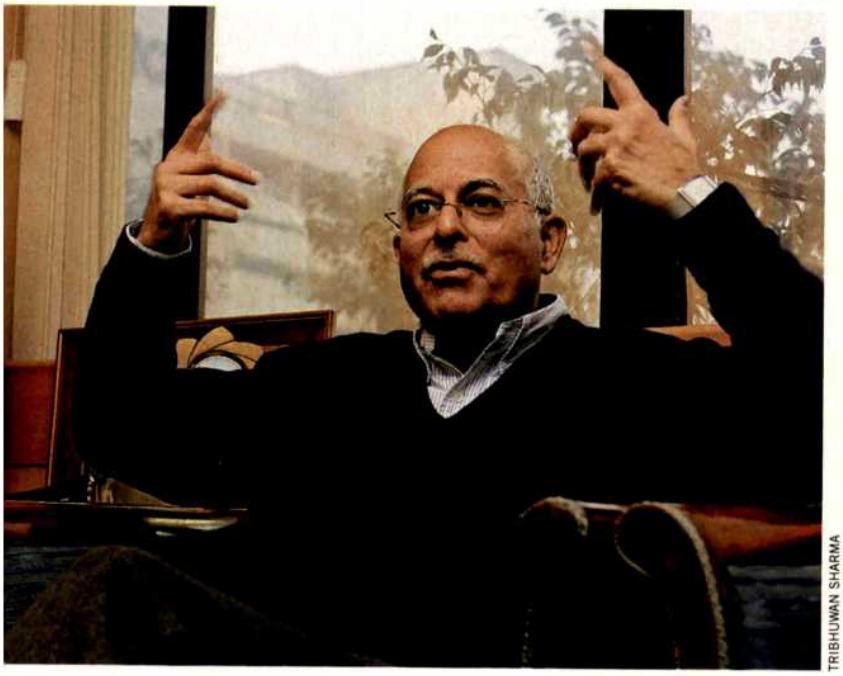
Dhall says it is futile to question if this is the right time for the new competition law. "It is like asking if best is better than the good," he quips. He says that in all economies laws evolve over a period of time. India Inc. should also not be deterministic, he says. After all, while several countries such as the UK, Australia and Germany have voluntary notification of mergers, more than 100 countries make pre-merger notification mandatory.

On paper, despite its obvious flaws, the new Act is not a total disaster. Perhaps it is India's ongoing experience with incompetent and corrupt gatekeepers that is at the root of the new fears. India Inc.'s fears focus not so much in the law itself but its ham-handed and corrupt implementation. But that is the price of the bad governance we seem powerless to change.

pv.iyer@abp.in
With inputs from Manashwi

'Can't exclude M&A control'

— Vinod K. Dhall
Acting Chairman, Competition Commission of India



TRIBHUWAN SHARMA

Vinod K. Dhall, the sole member and acting chairman of the Competition Commission, knows most corporate honchos by their first names. India Inc. sees him as a "well-meaning bureaucrat". He tells P. Vaidyanathan Iyer of his 'best endeavours' to accommodate the industry's concerns through regulations.

Q: Will the amended Competition Act bring back inspector raj?

A: The CCI has four guiding principles. It must be in sync with the market; it must minimise the compliance cost for businesses and enforcement cost for us; it has to be professional and last, ensure confidentiality for enterprises and transparency for CCI.

Q: Why specify triggers in terms of turnover and asset size? Also, dominance is vaguely defined.

A: Our Act is based on a modern approach. The Organisation for Economic Co-operation and Development says it is close to state-of-the-art. There are a number of factors that determine dominance. Market share is just one of them. Entry barriers, sunk costs and possibility of business failures are other factors to be looked at while assessing a merger. Remember, we also have to worry about the smaller players and consumers.

Q: The 210-day waiting period for clearance can kill deals...

A: Eighty-five per cent of all M&A or combination cases will be disposed of in 30 days. If we do not respond in 30 days, the proposal is deemed to be approved.

Q: Won't transaction thresholds prevent reporting of inconsequential deals?

A: Acquisition of shares up to 26 per cent will not come to us, provided they do not result in control. The industry did not come to us with any figure. Further, there is no need for companies to approach us with acquisitions unrelated to their businesses.

Q: Why is notification must for all M&As, including overseas deals?

A: Only deals with a local domestic nexus need to come to CCI. Why doesn't the Indian industry understand that deals like Coca-Cola's acquisition of Parle's Thums Up and Gold Spot brands can be reviewed only if merger control is part of the legislation. The Act adopts an integrated concept, its four legs being anti-competitive agreements, abuse of dominance, merger control and advocacy.

Q: Can companies clarify their stance after you pass prima facie orders?

A: In fact, our law on M&As is tougher on the Commission than on the enterprises. CCI has to give a reasoned order. After that too, there is a consultation process.

Q: Isn't the concept of group turnover and assets meaningless?

A: No. Group is an aggregation and there are inter-linkages within the group. Anyway, it just ensures that a notification is triggered. But, we can take a further look at it.

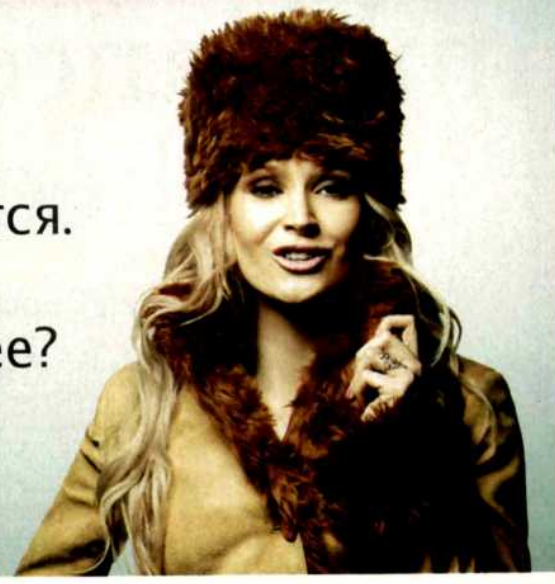
Q: Shouldn't the Act deter unscrupulous complaints by rivals or individuals?

A: This is like asking for closing police stations since there are unscrupulous complaints there. You cannot ask the Commission to come out with rules and regulations that have evolved in countries like the US over the past 100 years.

HSBC Investments

Экономика моей страны возрождается.

Почему бы не инвестировать в нее?



Understanding Russian isn't easy. Fortunately, investing in Russia is. Presenting the HSBC Emerging Markets Fund. It's a fund that invests in over 20 emerging economies like China, Brazil, Mexico and South Africa among others. With a key focus on industry structure, business fundamentals and financial strength, it identifies global companies which appear to have long-term growth prospects. With HSBC Investments' long-standing track record (approximately US $ 364 billion* AUM worldwide) and presence in emerging markets (assets worth US $ 85 billion*), would you want to miss out on such an opportunity? To know more, call us or your investment advisor.

NFO

28 Jan To 25 Feb 2008

HSBC Emerging Markets Fund

An open-ended scheme

sms INVEST to 56767

HSBC Mutual Fund

Issued by HSBC Asset Management (India) Private Limited

www.hsbcinvestments.co.in

For more information call: • Ahmedabad 098983 77319 / 21 • Andhra Pradesh 098496 77319 / 21 • Bangalore 080 4118 6519 / 21 • Bihar 099313 97319 / 21 • Chandigarh 0172 500 8119 / 21 • Chennai 044 4200 8719 / 21 • Coimbatore 098944 77319 / 21 • Delhi 011 4149 0719 / 21 • Hyderabad 040 6667 4719 / 21 • Indore 098934 77319 / 21 • Jaipur 099280 37319 / 21 • Karnataka 099809 27319 / 21 • Kerala 098954 77319 / 21 • Kochi 098954 77319 / 21 • Kolkata 033 2213 9919 / 21 • Lucknow 099367 97319 / 21 • Maharashtra / Goa 099600 77321 • MP / Chattisgarh 098934 77319 / 21 • Mumbai 022 6666 8819 / 21 • NCR 099107 97319 • Pune 020 2600 1119 / 21, 020 2613 4283 • Punjab 098769 37319 / 21 • UP 099350 97321 • Vadodara 098983 77319 / 21 or write to us at hsbcmf@hsbc.co.in

*As on 30 September 2007 Source: HSBC Investments, 30 September 2007

Investors may obtain Offer Documents and Key Information Memorandums along with application forms from the office of HSBC Mutual Fund, 314 D.N. Road, Fort, Mumbai 400 001. Tel: 022-6666 8819. **Statutory Details:** HSBC Mutual Fund has been set up as a trust by HSBC Securities and Capital Markets (India) Private Limited (liability restricted to the corpus of Rs 1 lakh). The Sponsor/associates of the Sponsor/Asset Management Company (AMC) are not responsible or liable for any loss or shortfall resulting from the operation of the Schemes. The Trustees of HSBC Mutual Fund have appointed HSBC Asset Management (India) Private Limited as the Investment Manager. **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the Net Asset Value (NAV) of the Scheme may go up or down depending on the factors and forces affecting the securities markets. There can be no assurance that the objectives of the Scheme will be achieved. Past performance of the Sponsor, AMC, Mutual Fund or any associates of the Sponsor/AMC does not indicate the future performance of the Scheme of the Mutual Fund. Past performance and forecasted performance is not a guide to future performance. Country specific information could yield results substantially different than that be set herein. HSBC Emerging Markets Fund (HEMF) is the name of the Scheme and does not in any manner indicate the quality of the Scheme or its future prospects or returns. **Scheme Classification & Investment Objective:** HEMF (an open ended Scheme) seeks to provide long term capital appreciation by investing in India and in the emerging markets, in equity and equity related instruments, share classes and units/securities issued by overseas mutual funds or unit trusts. The fund may also invest a limited proportion in debt and money market instruments. **Asset Allocation:** Units/securities issued by overseas mutual funds or unit trusts of emerging markets # - 80 to 100% and Domestic Debt, Money Market instruments (including CBLO & reverse repo) and units of domestic mutual funds - 0 to 20%. *# Currently HSBC GEM Equity Fund is envisaged to be used for investing in the emerging markets however, HEMF could use any other global fund of HSBC Group to invest in emerging markets.* **Terms of Issue:** Units of the Scheme are being offered at Rs. 10/unit for cash plus applicable load during the NFO and at NAV based prices thereafter, subject to prevailing loads. The AMC will calculate and publish the first NAVs within 30 days from the closure of the NFO & will disclose the NAV of the Scheme on every Business Day. **Load Structure (includes SIP/STP) ^:** During NFO & Ongoing basis – Entry - 2.50% for investments/switch ins* below Rs 5 crores, otherwise Nil. Exit – 1% for investments below Rs 5 crores, if redeemed/switched out* within 1 year from date of allotment, otherwise Nil. * *No load in case of switches between equity Schemes of HSBC Mutual Fund.* ^ No entry load shall be charged in case of direct applications received by the AMC i.e. application received through internet, submitted to AMC or Collection Centre/Investor Service Centre and are not routed through any Distributor/Agent/Broker. It shall also be applicable to additional purchases done directly by the investor under the same folio and switch-in to a scheme from other schemes if such a transaction is done directly by the investor. The entry/exit loads set forth above are subject to change at the discretion of the AMC and such changes shall be implemented prospectively. **Please read the Offer Document carefully before investing.**

CONTRACT.HSBC.08.0124

Imbalanced Sheets

by Abhishek Choudhury

Companies have found a new way to meet expected earnings

OTHER INCOME IS INCREASINGLY BECOMING A major constituent of total income as companies grapple to meet expected profits by utilising surplus cash.

For some years now, Dalal Street has perpetuated the fiction that quarterly earnings growth should be linear. Going by the quarter ended December 2007 results, the outlook for repeating spectacular earnings growth of the last five or six quarters doesn't look very good. Blame it on the general slowdown in the economy, but earnings growth in the last quarter of the year may be pedestrian.

In the aggregate other income for Bombay Stock Exchange's BSE 200 index of companies (excluding banks and finance companies) in 2007 has gone up by almost 61 per cent, compared to 2005. By comparison, core earnings grew by 57 per cent in that period. Manufacturing, power, electronics and software companies, are investing more in financial assets such as equity, mutual funds, debentures and government securities rather than in operations.

Companies are resorting to other income - or non-core earnings - as a way of meeting stock-market expectations. However, 'other income' growth is not reflective of the sustainability of business prospects. We may have ignored this for a while, but in global markets, analysts have been using many methods to determine quality and composition of earnings growth: Stern Stuart's Economic Value Added approach, Standard & Poor's Core Earnings methodology, Merrill Lynch's Cash Realisation Test, etc. Not surprising, given the enormous amounts of capital that has been raised in the last year. Since it is almost all equity, there are huge savings on interest on what would have otherwise been funded by loans. "Actually, we would see higher treasury investments this year as many companies have raised equity/ FCCB/ QIP taking advantage of the bull market. The funds are yet to be deployed in capex," says Amitabh Chakraborty, president (equity) at Religare Securities Ltd. He says all cash rich companies have high mutual fund (MF) investments but few investments in equity-based funds.

Not so long ago, other income usually came from sale of scrap, waste material and from financial income from capital deployed in investments. Companies are now shifting focus from operations and investing more in non-operating activities.

As the end of the financial year nears, companies will review performance and look at how they can beat earnings expectations of the market (to justify their high share prices). *BW* looked at a selection of companies within the BSE 200 (excluding banks and finance companies) which account for the bulk of market capitalisation to identify trends in the other income segment of earnings to assess if there are variations in the trend. We compared other income as a percentage to total income (see Table 1) to assess how much other income is as a proportion of total income. In our second table (see Table 2) we depict other income as a percentage of capital employed, which enables us to evaluate the returns generated by other income.

The exercise raised some questions. For instance, why should an infrastructure company such as GVK Power and Infrastructure have such a high other income to total income ratio (74.02 per cent)? Power companies should be making large physical investments, not swing their capital for treasury operations.

OTHER INCOME TO TOTAL INCOME

Companies	Industry	Oth In/Total In
Top 5 companies 2007		
GVK Power Infra	Power Generation And Supply	74.02
Financial Tech.	Computers - Software - Medium / Small	43.77
Reliance Natural	Miscellaneous - Large	39.77
Uni.Brew.(Hold.)	Trading - Large	36.45
BF Utilities	Power Generation And Supply	33.52
Top 5 companies 2006		
Uni.Brew.(Hold.)	Trading - Large	73.48
BF Utilities	Power Generation And Supply	55.11
GVK Power Infra	Power Generation And Supply	51.41
Neyveli Lignite	Power Generation And Supply	22.24
Jaiprakash Hydro	Power Generation And Supply	20.48
Top 5 companies 2005		
BF Utilities	Power Generation And Supply	69.51
Uni.Brew.(Hold.)	Trading - Large	40.53
Videocon Inds.	Electronics - TV / Audio / VCR / VCP	32.82
Dish TV	Entertainment - Electronic Media	23.32
Max India	Packaging - BOPP Film	21.13

Source: Capitalline plus & *BW* Research

GVK Power is not alone. The tables suggest that most income of energy companies is from other sources. GVK Power's total investments were Rs 705.33 crore in March 2007, of which Rs 697.46 crore was in unquoted equity shares, which generated a dividend income of Rs 31.69 crore out of a total income of Rs 42.91 crore.

Nirav Sheth, head of portfolio management services at Brics Securities, says that many companies which borrowed abroad earned windfall gains through rupee appreciation. "Even if this appreciation trend of the rupee continues, we won't see the same gains, as the rupee isn't going to appreciate by 10 per cent again," he says. In the case of Financial Technologies, a software company, investments worth Rs 274.17 crore in equities and MFs generated a dividend income of Rs 63.60 crore as on March 2007, againstRs 4.22 crore in the previous year.

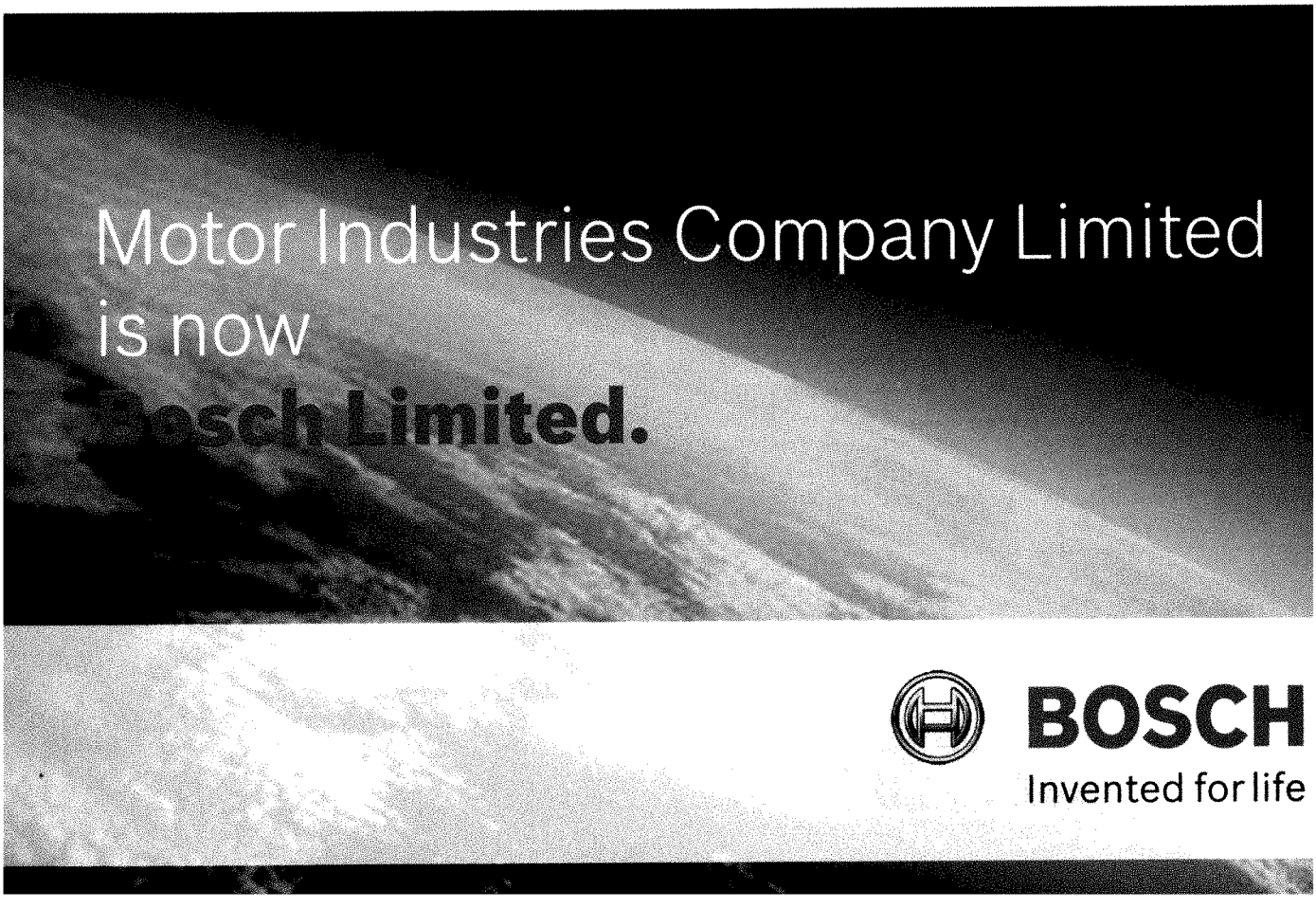
Though there is no thumb rule, according to analysts, other income to total income ideally should be less than 10 per cent. With the booming stock market and a healthy mutual fund industry, companies are expected to invest more to increase their earnings.

abhishek.choudhury@abp.in

OTHER INCOME TO CAPITAL EMPLOYED

Companies	Industry	Other In / Capital Employed
Top 5 companies 2007		
Voltas	Diversified - Mega	36.03
Kirl. Brothers	Pumps	32.67
Hind. Unilever	Personal Care - Multinational	32.15
Glaxosmithkline	Pharmaceuticals - Multinational	24.59
Siemens	Electronics - Instrumentation And Process Control	17.40
Top 5 companies 2006		
Uni.Brew.(Hold.)	Trading - Large	44.06
Glaxosmithkline	Pharmaceuticals - Multinational	31.76
Voltas	Diversified - Mega	27.18
Kirl. Brothers	Pumps	23.31
Hind. Unilever	Personal Care - Multinational	20.49
Top 5 companies 2005		
Britannia Inds.	Food And Dairy Products - Multinational	25.84
Glaxosmithkline	Pharmaceuticals - Multinational	18.52
Siemens	Electronics - Instrumentation And Process Control	18.44
Hind. Unilever	Personal Care - Multinational	18.09
Uni.Brew.(Hold.)	Trading - Large	17.19

Source: Capitaline plus & *BW* Research



REaITy Check

by srikanth srinivas

NOT EVERYONE LOST IN THE US SUBPRIME mortgage market crisis — where borrowers with dodgy credit scores and even dodgier repayment capabilities were lent huge sums of money to buy homes they couldn't afford. John Paulson, a hedge fund manager, made $3 billion — in just one year, 2007. According to the *Wall Street Journal*, Paulson's firm started the year with $7 billion; the two primary funds of his firm returned — hold your breath — 590 per cent and 350 per cent, respectively. It's not easy to make a bearish bet that will give that sort of return. Paulson bet on the subprime market falling, and won.

While the real estate market in the US is headed for a big fall, the same in India is seeing an upside. All you see are higher prices, higher rentals, bigger projects, higher stock valuations of real estate companies. Those valuations catapulted the promoter of DLF, the largest of real estate companies in this country, into the list of 20 richest men in the world. With a growing economy that is creating demand for retail and office space, rapidly rising incomes that are driving demand for housing and a housing boom, and a promising stockmarket, albeit a volatile one, the real estate market is having a good year.

What is not so clear about the Sebi draft regulations is the need for a credit rating for REITs from a rating agency

Today, some of the sheen on it has rubbed off; when the Reserve Bank of India (RBI) did not reduce interest rates as was hoped for, the housing segment of the real estate sector was disappointed. This week, the RBI said that a survey of the housing market indicated a more than 20 per cent decline in sales between April and November 2007. Also this week, banks were asked by the finance minister to reduce housing loan interest rates, and many obliged.

But financing real estate development has never been popular — banks have shied away from lending to developers because of the perceived opaqueness of pricing in that market, lack of clarity and standardised practices, and the associated risk of what is still seen as a speculative bubble. The correlation between stockmarket movements and real estate prices makes regulators and policy-makers wary.

Last month, the Securities and Exchange Board of India (Sebi) circulated draft regulations on real estate investment trusts (REITs) intended to fi ate a more rel estate. Think fund that issu der managem

A REIT is a taxes. They pa income as divi which will be company coul rather than pa through woul dend taxes, wh porate taxes.

There are th REIT that in mortgage fin REIT that wou erties whose in and hybrids. I with the usual of Indian regu would be an eq speak of invest

REITs can in cial property ir ings, shopping trial parks, hea golf courses. Tl that is compar other fixed inco ented investors peal. Because l value of REIT words, capital a

Will REITs w people tend to pendent by nature. When you are in control. When you go pul control; your decisions are se lysts, business journalists and your company is not decided b even your profits, but rather by tions are viewed by the capital

What is not so clear about th need for a credit rating from a way of pushing forward the old ing risky investment is learne learn. Next time you see that sw your street corner that you wis when REITs become reality. It living in it.

The future is big
The future is bet
The future is Bos
Motor Industries Company Limited (Mico) is now Bosch Limited.
We are committed in our endeavour to make the future bigger and better with Bosch.
Trust you will be part of this exciting journey.
www.boschindia.com

Businessworld

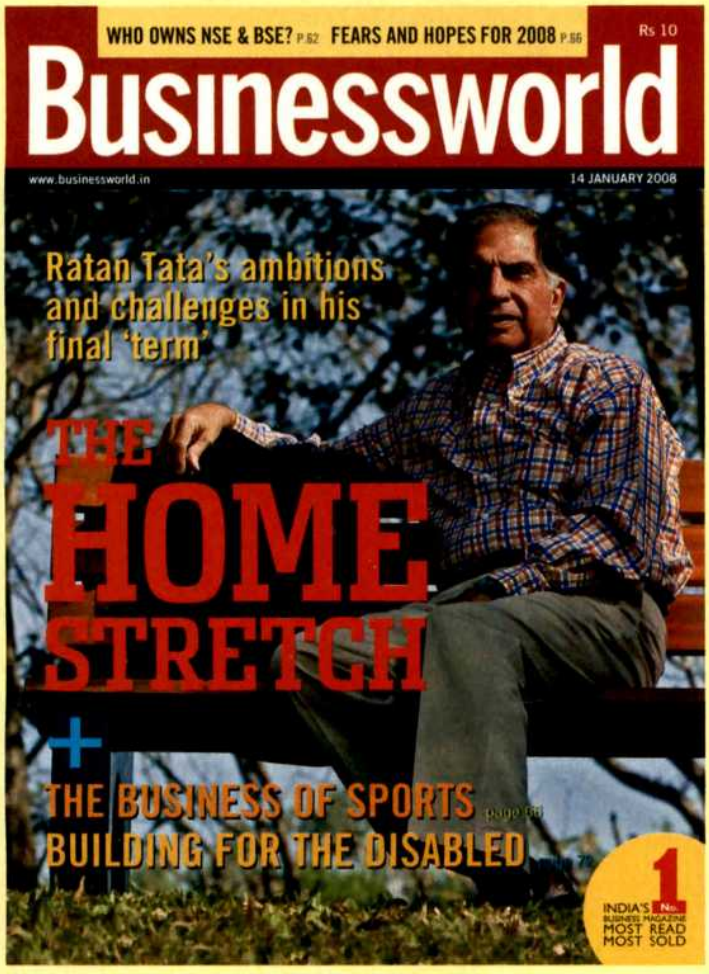
CONTAINS High IQ

Nutrition for the mind

Serving: Once per week

Ingredients	% Content
OnPoint	10%
Sharp insights on news	
Fianchetto	5%
The week's strategic moves	
Quick Take	2%
Opinion poll of business leaders	
In Depth	37%
More feature stories every week	
Corporate Sociology	7%
The social side of the workplace	
Tech Talk	5%
A look into the future	
New Columnists	8%
Global perspectives	
Counterpoint	3%
A contrary point of view	
In Vogue	6%
The business lifestyle	
Other regular features	17%

PRESENTING THE NEW BUSINESSWORLD. FRESH. INCISIVE. GLOBAL.



Businessworld, India's most read and most sold business magazine*, has a refreshing international look and more comprehensive content. Its new features include more in-depth stories, new columnists, sections on science and technology, corporate sociology, lifestyle and much more.

All presented in an easy-to-read, elegant style. The new Businessworld.

It gives you an edge that's simply unmatched.

Businessworld

YOUR UNFAIR ADVANTAGE

*ABC: Jan-June 2007: 1,31,626. NRS: 6,79,000 AIR (Average Issue Readership).

BATES DAVID ENTERPRISE 1584

Ready to Collapse?

GURBIR SINGH

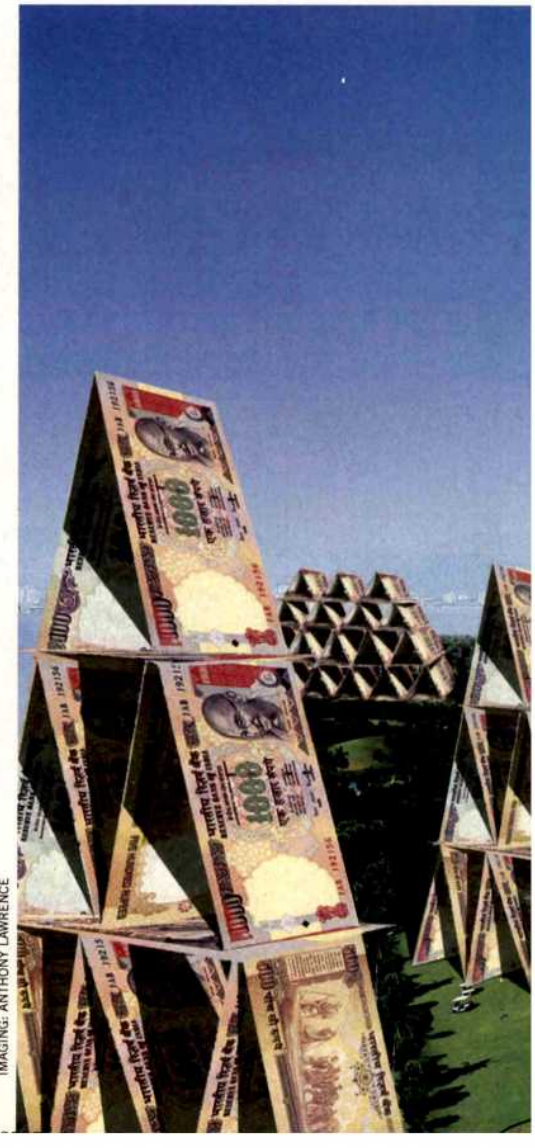
There is that shaky feeling as fears of a property bubble float in an overpriced market

ON 21 NOVEMBER LAST YEAR, A FOUR-BEDROOM apartment at Mumbai's posh Nariman Point was sold to a UK-based non-resident Indian (NRI) for a princely Rs 34 crore. The value of the seventh floor flat in NCPA Apartments — at Rs 97,000 per sq. ft — is the highest price ever paid for a residential property.

Recently, builder Zubair Lakdawalla and three of his cohorts were arrested on charges of engineering the killing of a Buddhist monk in Mumbai's slum pocket of Govandi. The monk had resisted the builder's attempts to push through a realty project on slum lands, and his death sparked widespread public ire and rioting by the monk's Dalit supporters.

A lease of an NDTV office in the commercial hub of Bandra Kurla Complex came up for renewal recently. The company, unable to meet the demand for tripling the rent, decided to move out. Another media company TV18's CEO Haresh Chawla says wryly, "Real estate costs have ballooned beyond control."

These three anecdotes illustrate a swirling debate on the following question: is there a



IMAGING: ANTHONY LAWRENCE

property bubble in the real estate market? There is enormous money in real estate, ever since foreign direct investment (FDI) was permitted in the sector in 2005. Property development companies have also raised fabulous amounts from domestic stockmarkets that appear to be sustaining high house prices, and a booming economy is doing the same for commercial property.

But the situation also raises troubling memories of the Asian financial crisis of the late 1990s. However, others brush it off, saying the Indian market is different. In the property development rush, there are numerous reports of flouted norms, regulatory gaps taken advantage of, and the presence of a few players just donning different mantles. Given the symbiotic relationship between stock and real estate markets, what happens if the bubble bursts? Will that cause the economy to slow down further than it should?

A Bubble? Really?

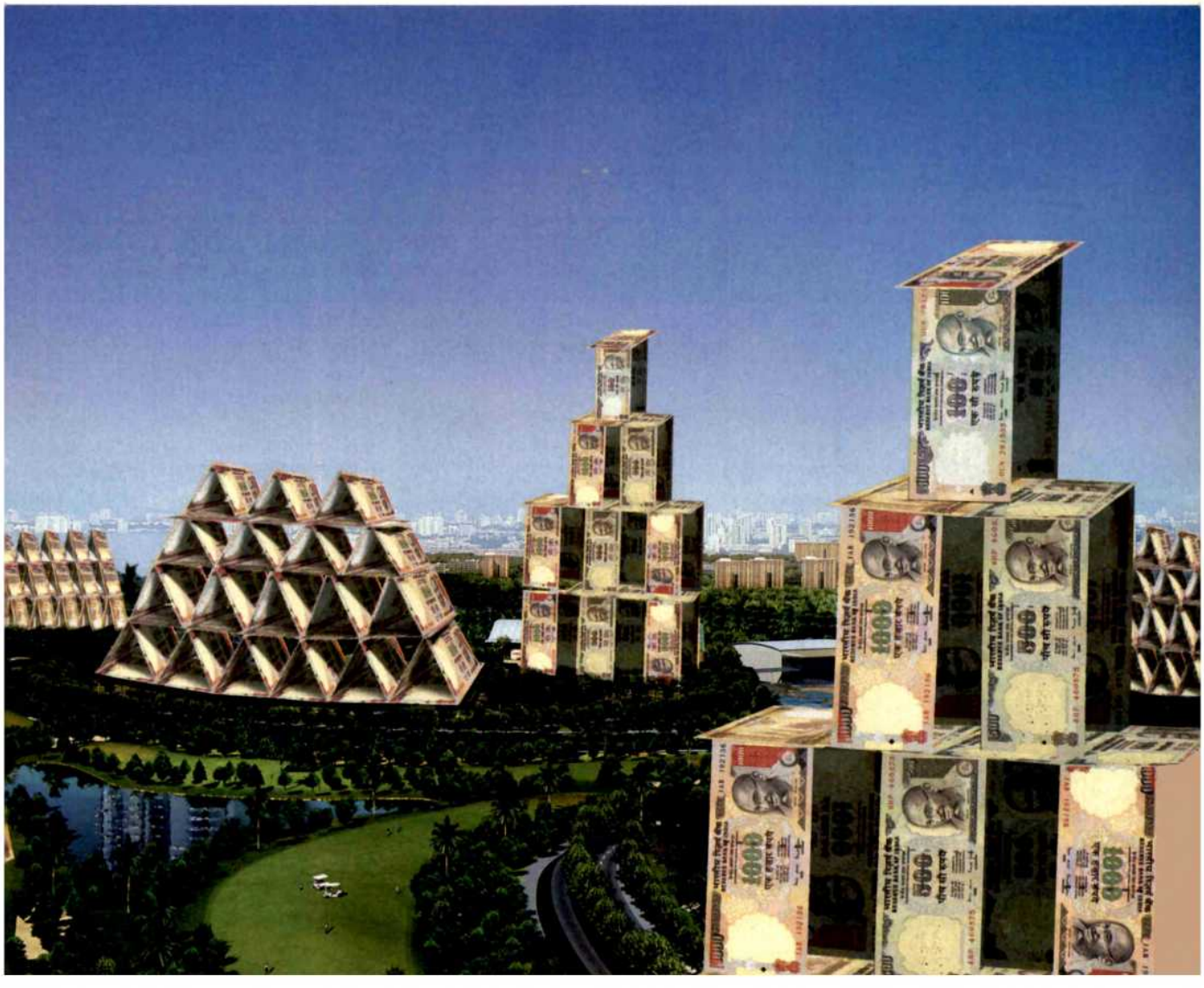
The real estate sector in India is a series of micromarkets with different characteristics. Mumbai and Delhi cannot be compared with smaller cities such as Bangalore and Hyderabad; in cities like Jaipur and Indore, behaviour is even more varied. There are also some differences in how residential and commercial property markets behave.

Micro-markets in Mumbai that have little housing stock coming in continue to see values moving. "Residential bookings at a C.L. Raheja project in Hindoostan Spinning & Weaving Mills in central Mumbai opened at Rs 18,000 per sq. ft a year ago, but are now at Rs 26,000 per sq. ft," says Akshaya Kumar, chief of broking firm Parklane Properties. Similarly, residential bookings that began at Rs 12,000 per sq. ft at Bombay Dyeing's Spring Mills at Wadala, have now touched Rs 25,000 a sq. ft.

So how much of a bubble is it? Take a

EXECUTIVE SUMMARY

- Real estate is flush with money, demand is down, prices are not. Are these the signs of a bubble?
- The large stock of housing and commercial units pouring into the market may not allow developers to sustain prices for long.



Realty tops in IPO collections

Top sectors in primary market issues in 2007.

Sectors	Amount raised (in Rs. crore)	Percentage
Real estate	14,591.6	42.7
Power	4,519.18	13.25
Telecom	2,964.06	8.6
Financial services	2,837.71	8.3
Travel & Transport	1,771.0	5.2
IT	1,501.08	4.3
Construction	907.54	2.4
Textile	905.81	2.4
Others	4,384.38	12.85

Source: Assocham

two-bedroom, 850-sq. ft flat in the western suburbs of Mumbai that could cost Rs 1.2 crore, 80 per cent of which is financed by a housing loan. Let us assume that the annual interest cost is Rs 12 lakh, or 10 per cent. At a monthly rental of Rs 50,000, the annual rental is about Rs 6 lakh. The return on investment is about 5 per cent — less than consumer inflation. Buyers bank on gains on capital or property value.

In comparable markets, home prices should be about 12 to 15 times annual rent, analogous to a price earnings multiple. Across the board, they are much higher. Then there is the affordability test, which should be about 4-5 times annual income of the home buyer. Again, most are well above that range.

The RBI Steps In

But there's no denying that there has been a correction, albeit a small one. After the Reserve Bank (RBI) raised its overnight lending rate for the fifth time in a year on 31 January last year to 7.5 per cent, banks were told to double their provisioning for commercial realty loans to 2 per cent in an attempt to manage defaults. "The continued high credit growth in the real estate sector is a matter of concern," the RBI said then.

Within days, most banks had raised home loan rates by 1 per cent. Following repeated hikes since October 2005, interest rates crept up from as low as 7 per cent to 11-12 per cent. Loan applications fell 25-30 per cent, and as existing EMIs were revised upwards, reports of defaults began trickling in. Actual deals fell to 40 per cent of the level at the start of the year.

The big metros reported a plateauing of prices or a fall of 10-15 per cent in residential property, while in tier-II towns such as Jaipur, Bhopal, Kanpur, Mohali and Ludhiana, the fall was 25-30 per cent. The price spiral 2004 onwards was the sharpest in these towns, with an appreciation of 150-200 per cent in three years.

"Builders in Bangalore say buying in the housing segment for Rs 45 lakh-80 lakh flats has dried out, but budget homes and the above-Rs 80 lakh luxury segment is still active," says Anshuman Magazine, CEO of CB Richard Ellis.

For the first time, the buoyant commercial-market began taking a hit. Bangalore's Whitefield area was the first casualty, with prices falling from Rs 3,200 a sq. ft to around Rs 2,300. Brokers say a flurry of construction created oversupply, and this suburb is now laden with 8 lakh sq. ft in vacant office space.

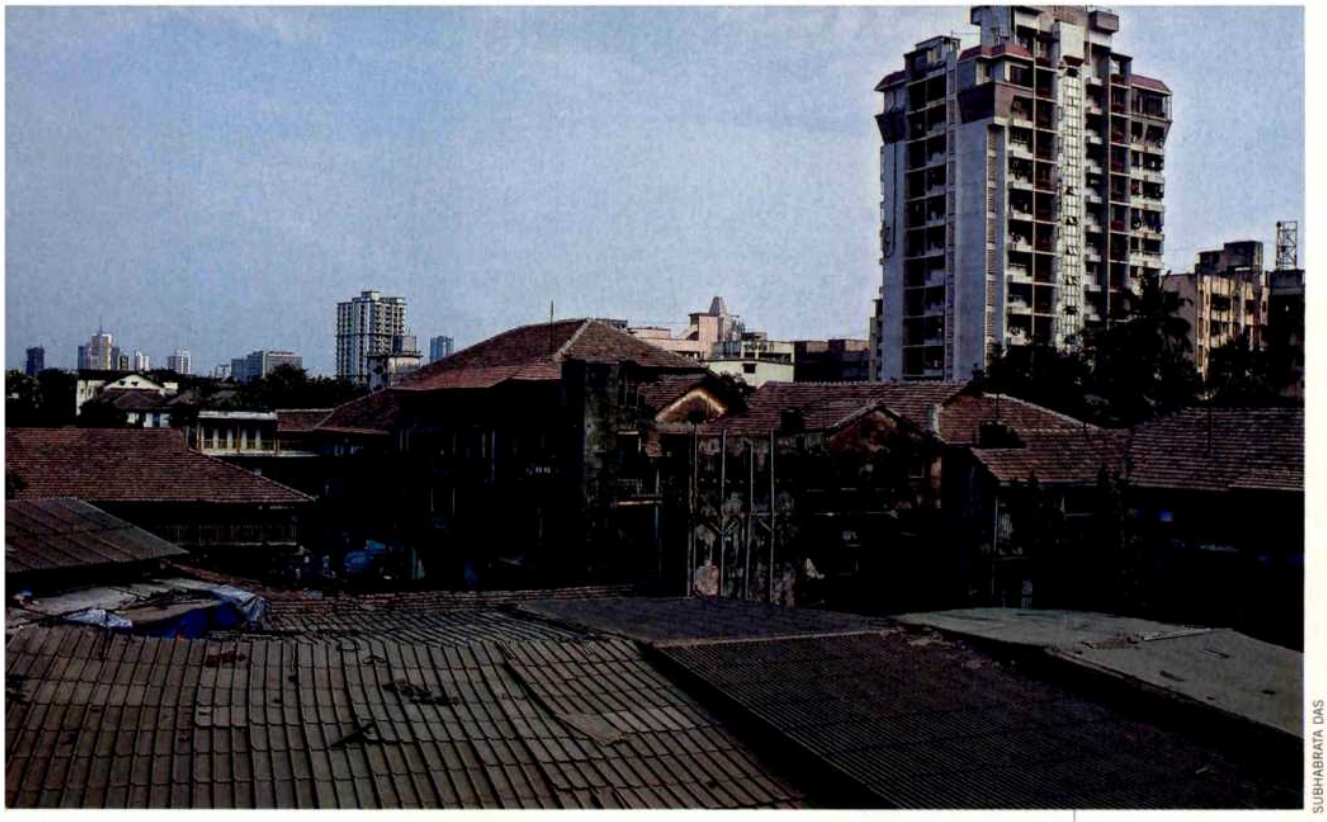
Similary, Chennai's sought-after IT destination — Old Mahabalipuram Road — has seen a decline in rentals by around 10 per cent recently. A housing complex planned for IT professionals by the Surinder Hiranandani Group on that road opened bookings at Rs 3,500 per sq. ft, but lack of demand has pushed down rates to Rs 2,500 a sq. ft, says local brokers. While asserting that property prices would hold because of the boom in consumption demand and new wealth in the hands of prospective buyers, ICICI Bank's Executive Director heading retail lending, V. Vaidyanathan, conceded that loan dispersals for home buying had fallen considerably. "Dispersals have grown just 10 per cent compared to 30 per cent in previous years," Vaidyanathan said (see 'Increase Supply' on Page 64).

NOT EVERYONE IS SMILING: Finding it difficult to ride the demand recession, smaller builders are selling out to bigger ones

SANJIT KUNDU

"Supply, Meet Demand"

Fears of a bubble are being played down. "The property market is not homogeneous," says Anuj Puri, who



SUBHABRATA DAS

DEVELOPING INEQUITY: The margin-driven boom in property has missed out on affordable housing for the poor and the middle class

heads broking house Jones Lang LaSalle Meghraj. "Prices will plateau in overpriced markets while others will be unaffected." A FICCI survey, painting a rosy picture, says that the current 'correction' in property prices will not last more than six months and prices will move up in the second half of 2008.

But realty fund managers, many of them preferring anonymity, predict that realty projects launched post-2005, which would begin to mature end-2008 onwards, will not allow developers to sustain prices. "Don't go by one or two high-ticket deals, like the NCPA Apartment sale," says a foreign fund manager. "The construction boom underway will lead to over-supply and falling prices till 2012, after which the upward cycle will start again."

A survey by property advisers Debenham Tie Leung (DTZ) says there is already oversupply in commercial property. The estimated supply of space in Delhi/NCR for 2007 was 15.9 million sq. ft, while bookings point to an actual absorption of just 13.2 million, an excess of 20 per cent. Chennai and Pune are likely to fare worse. "The downtrend will persist for another year, maybe more," says Shashi Kumar, chief investment officer of IndiaReits.

For the commercial property segment, a strong rupee is a concern. "If it touches Rs 35 to a dollar, which is likely, the IT and ITES sectors will be severely hit," says Pranay Vakil, chairman of Knight Frank Property Services. "With 70 per cent of commercial real estate selling to this sector, one can expect demand will fall."

What's Keeping Prices Up? Liquidity...

Despite flagging demand, the high liquidity available to developers has given them the power to keep prices afloat. Realty firms have collected record amounts in IPOs. An ASSOCHAM study for the period 1 January-15 December 2007 showed that real estate companies raised 42.7 per cent of the total Rs 34,119 crore raised in IPOs (See 'Realty Tops In IPO Collections' on page 58).

Indian and foreign realty funds have also raised humungous amounts. Since 2005, realty funds have mobilised around Rs 20,000 crore. Realty funds were allowed registration by the Securities and Exchange Board of India (Sebi) as venture capital funds in 2005, with a tenure of 7-10 years. Investors poured in as industry forecasts predicted the real estate market would spiral from $12 billion currently to $90 billion in 2015, driven by a shortage of 200 million sq. ft of demand from the IT/ITES sector and a requirement of 18 million housing units by 2010.

... Loopholes...

But there are troubling questions. Save for RBI's reporting system, there is very little monitoring as to where and how foreign funds are being parked. This has raised fears that foreign or joint venture firms may be bending the law and illegally engaging in speculative activity.

For instance, acquisition of agricultural land with FDI funds is illegal. Yet, disclosures by joint venture (JV) Emaar MGF reveal that 83 per cent of the 12,544 acres the company

PHOTOGRAPHS: SANJIT KUNDU, SANJAY SAKARIA, TRIBHUWAN SHARMA

Big-ticket deals in 2007

A rush of money is driving prices up.

Mumbai

- Wadhwa Developers won the bid for 16,500 sq. mt. of land from MMRDA for Rs 831 crore or Rs 5.03 lakh per sq. mt. (26 November 2007).
- TCG-Hiranandani acquired 28,500 sq. mt. of land from MMRDA in a bidding process for a total amount of Rs. 1,041 crore or Rs. 3.67 lakh per sq. mt. (26 November 2007).
- Citigroup sold a flat in south Mumbai's NCPA Apartments for Rs 34 crore — a record-breaking price of Rs 97,842 a sq. ft. (21 November 2007).

Chennai

- Nitesh Estates acquired a nine-acre plot in Boat Club area for Rs 642 crore (October 2007).

Delhi

- DLF acquired 38 acres of Swatantra Bharat Mills from DCM Shriram for Rs 1,675 crore (August 2007).

Finance deals

- Bahrain's Gulf Finance House signed up with the Government of Maharashtra to invest Rs 40,000 crore for an 1,600-acre SEZ in Panvel, near Mumbai.
- DLF-Dubai's Nakheel have announced a joint venture to invest $10 bn to build two townships on 40,000 acres.
- Merrill Lynch bought a 49 per cent stake in seven of DLF's residential projects for Rs 1,481 crore.

acquired was agricultural land. Emaar Properties, a Dubai-based development company, has a 41 per cent stake in the JV, which is raising around Rs 6,000 crore through an IPO this February.

A foreign investor tells *BW* on condition of anonymity that the deployment of FDI for agricultural land was being made by investors with their eyes open. "They are acting on assurances that in the modified master plans for urban agglomerations, much of this land, acquired at dirt-cheap rates, would be converted from 'agricultural' to the 'residential' category."

...And Land Banks

Most large developers have sought valuations largely on the basis of their claimed land banks. Sebi Chairman M. Damodaran directed real estate firms launching IPOs to disclose their land-bank details along with ownership status. He also said that valuations should be on the basis of current market value and not projections.

And here some interesting facts emerge. Unitech's joint MD Sanjay Chandra has claimed a land bank of 10,400 acres, while an SSKI valuation report has said the company holds 14,211 acres. DLF Vice-Chairman Rajeev Singh is on record stating the company has a bank of 10,255 acres, while Parasvnath Developers claims 2,000 acres. In many cases, the lands listed as part of companies' land banks are involved in lawsuits. Cash-strapped builders have got investors to put in money based on heady valuations of these land banks. Why are land banks being valued as if they were fully owned and developed? Unitech proposes to build a 10,134-acre SEZ in Haryana, and the New Kolkata International Development project with 38,000 acres. But land in either case has not been acquired.

Policy Pushes Speculation

The sky-rocketing price of office spaces and homes has created a scramble among builders to book land at whatever cost. Foreign realty funds have learnt that. despite their huge corpus, too many suitors are chasing 'clean-title' property projects. Builders with stocks of this rare commodity have been hoarding and speculating.

Little less than a year ago, Parsvnath Developers picked up a portion of the BEST Bus Depot in Kurla, Mumbai at an auction for Rs 40.5 crore. Brokers say instead of constructing homes and offices, Parsvnath is close to sealing a deal for the depot property for Rs 700 crore.

However, it is more serious when public bodies add fuel to an already speculative business as they are mandated to ensure affordable housing. Public bodies releasing land in driblets through auctions both add to an artificial shortage and push prices to unrealistic levels. Two months ago the Mumbai Metropolitan Region Development Authority (MMRDA) auctioned three Bandra Kurla Complex (BKC) plots. The most expensive, a 16,500-sq. metre plot, was sold for Rs 5 lakh per sq. meter to Wadhwa Developers. About three years ago, auctions for plots in the same BKC complex had closed at Rs 25,000 a sq. meter. Wadhwa Developers will now have to sell space on its four-acre BKC plot at a mind-boggling Rs 70,000 a sq ft to realise a decent profit: the cost of land has become 80-90 per cent of project cost.

Economic Implications

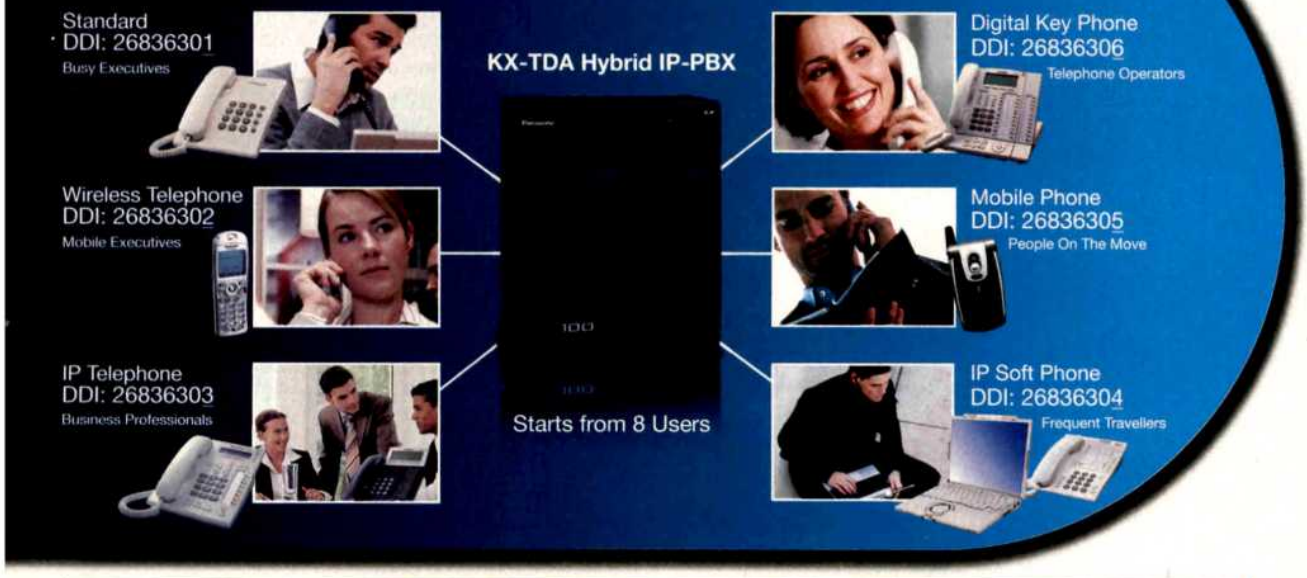
Globally, Mumbai is among the top 10 cities with the most expensive apartment rentals. ECA International, a consultancy firm for international HR professionals, ranked Mumbai at

Panasonic
ideas for life

The Systems professional

Get connected with PBX Total Communications Solution

The flexibility to support various terminals and inter-transfering



The platform for feature-rich applications

Integration of IP technology with traditional telecommunications offer endless possibilities for your business communication needs.

IP Softphone

Enjoy features like user-friendly display which makes handling calls and performing other tasks a breeze.

Mobile Phone Integration

Experience greater mobility and connectivity wherever you are.

Messaging Solutions

Comes with Panasonic Voice Processing Systems that allow you to send and retrieve messages 24 hours a day.

Report Server

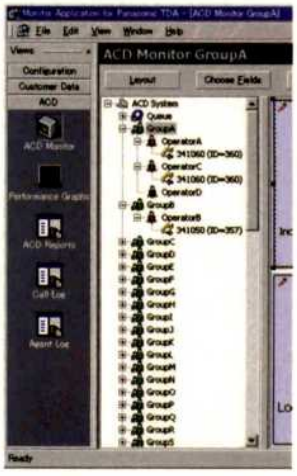
Deliver customer satisfaction with features like System Report that creates reports according to the user's need.

Phone Assistant

Applications such as software support helps you monitor and report all company telephony communications.

Wireless Connectivity

Receive calls even when you are away from your desk (within office premise).



Panasonic ideas for life

Panasonic Asia Pacific Pte Ltd.
India Branch Office

Delhi: 615, E-Block, International Trade Tower, Nehru Place, New Delhi - 110 019. E-mail: a.madan@npi.panasonic.co.in, Tel.: 011-41608081/2/3/4
Mumbai: 708/709, Palm Spring, 7th Floor, Above Croma, New Link Road, Malad (W), Mumbai - 400 064, E-mail: a.dhole@npi.panasonic.co.in, Tel.: 022-40331621/3/4
Website: www.panasonic.com.sg/pbx

PBXBW

Oversupply in commercial property

The flurry of construction to meet projected demand has created oversupply.

Market	Absorption in 2006 million sq. ft.	Estimated supply in 2007 million sq. ft.	Estimated absorption in 2007 million sq ft.	Excess supply % of estimated absorption
Delhi NCR	10.6	15.9	13.2	20%
Bangalore	12	18.3	13.3	38%
Chennai	5.3	19.5	6.5	200%
Pune	4.6	14.3	5.8	146%
Kolkata	3.9	8.3	5	66%
Hyderabad	3.8	6.1	4.6	33%
Mumbai	6.4	6.9	7.5	8%

Source: DTZ Research, 2007

No. 7. The latest Global Property Guide (14 January) indicated Mumbai to be more expensive both in capital values and lease rentals for luxury residential accommodation than Dubai, Sydney, Bangkok and Singapore. This is despite Mumbai's quality of housing and office stock being far poorer than these other modern cities. To that extent, it is a disincentive for international businesses and their expatriate officials to locate in cities like Mumbai and Delhi.

With foreign funds showing increasing levels of frustration at the problems of investing in clear-titled realty projects, poor availability and supply is bound to have a negative impact on FDI flows in real estate in the long run.

What planners and government authorities need to worry about is that only a minuscule portion of the gargantuan funds that are being raised from the primary market and that are flowing into India are financing affordable housing and long-term infrastructure projects. Realtor Mukesh Patel, chief promoter of Mumbai-based Neelkanth Group, admits that builders have virtually stopped construction of budget homes that cost Rs 10 lakh or less. The margins available and the marketing effort are not worth their while, he says. Infrastructure projects, however, have long construction and gestation periods — something which realty funds looking at 7-10 year exit periods can ill-afford. The current construction boom is mainly in the upscale commercial/office space, mall development, middle and upper luxury apartments and townships and high-street retail.

Stark as it may sound, the current property boom seems to have completely missed the 12 million Mumbai residents who live in slums and dilapidated buildings. And it's not just about Mumbai. Delhi chief minister Sheila Dixit frankly admitted at a seminar: "Where we have failed is to provide dignified, living space to the people."

Does A Crash Loom?

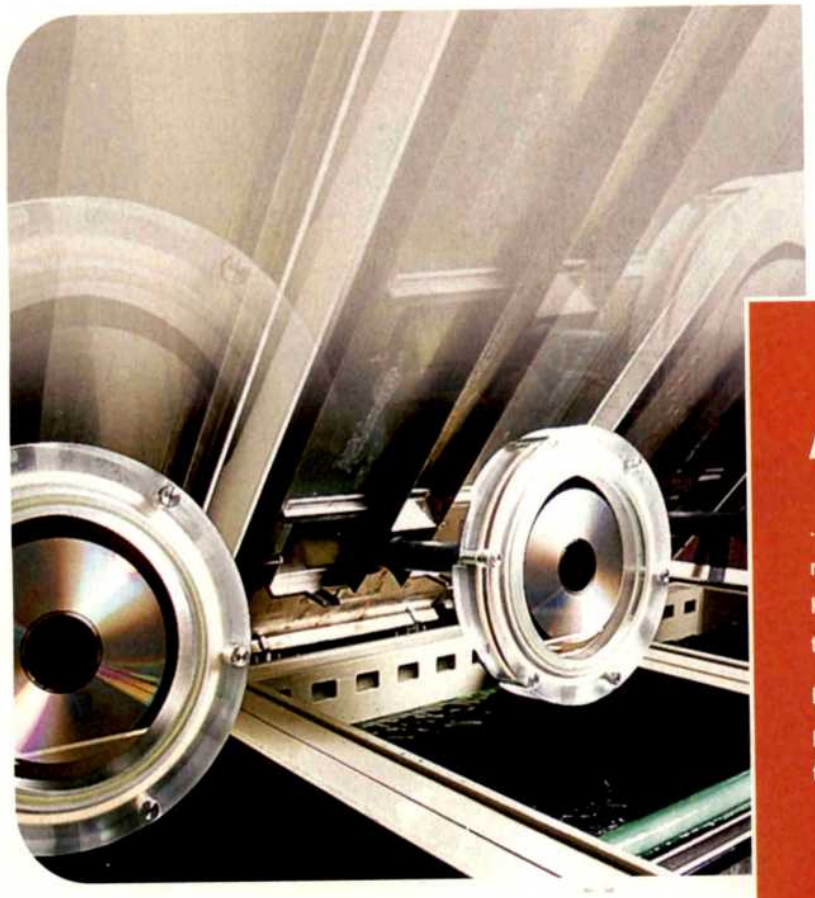
How can bubbles and ensuing crashes be understood? The typical sequence of events in such cases is as follows. There is financial liberalisation of some sort and there is a significant expansion in bank credit (FDI in real estate, housing loans rise). Some of this can finance new investment, but much is used to buy assets, such as property and stocks. Given limited supply, prices rise above fundamental values, fuelling speculation. A set of practical circumstances prevents selling of these assets and the bidding down of prices as theory would suggest (holding power, liquidity and regulatory gaps). This process continues until a real event occurs that reduces the payoff on these assets. The central bank is forced to restrict credit because of fears of 'overheating' and inflation. The result of one or both of these events: stocks and property collapse, creating serious problems for the financial services industry. A foreign exchange crisis ensues and investors pull out their money (the Asian crisis, for example). This spills over into the real economy, and a recession follows.

True, we are far from such a bubble, but the early signs look scarily familiar. While these traits are peculiar to the country involved, the fact that such a similar sequence occurred across economies as widely differing as Norway, Finland, Mexico and Japan suggest that it is a more general phenomenon than we assume.

Japan offers an instructive example. In the early 1980s, it created big surpluses and a surfeit of cash for business firms. A slowdown in growth rate also contributed to reduced loan demand. Housing finance was encouraged, so real estate lending and prices soared. The hidden value of companies that owned land soared; so did their stocks, setting in motion the reinforcing upward spiral of realty and stock prices. Financial asset markets skyrocketed.

To offset the rising value of the yen against the dollar, the Bank of Japan reduced interest rates, and the system was awash in liquidity. The Nikkei 225 hit 38,916 in December 1989. In Tokyo's Ginza district, real estate sold at $139,000 a sq. ft. In 2004, prices were one-hundredth that level. When the bubble collapsed, some $20 trillion, or Rs 80 lakh crore (in 1999 dollars) were wiped out. Investments were hit hard, and manufacturing firms lost their technological edge; their products became less competitive, Korea and then China have since taken over. It cost Japan a decade to recover. Yes, it is another time, another country. But look round, and it makes you wonder.

gurbir.singh@abp.in
With inputs from Abhishek Chowdhury



ELGI
Think Long Run

AIR POWER...

... that enables large scale CD manufacturing industries in Hong Kong to maintain minimal down time.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

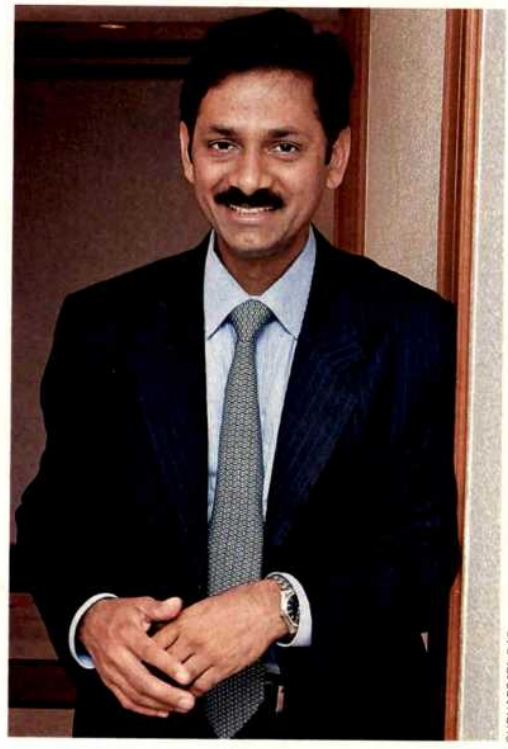
Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/02

'Increase Supply'

– V. Vaidyanathan
Executive Director, ICICI Bank



SUBHABRATA DAS

VAIDYANATHAN, WHO HEADS THE BANK'S RETAIL business, including home loans and property, spoke to *BW's* Gurbir Singh. Excerpts:

Q: Do you think interest rates will fall in the near future?

A: Rates may or may not move down depending on how the cost of funds of the banking system plays itself out over the next few quarters. But hopefully, they won't go up in the near future. Right now the priority is to ride out the March effect, when rates traditionally tend to go up. The banking system needs to plan well so that there is no spiking in March.

Q: Since property prices have run up sharply, there is consumer resistance and they have now begun to soften. There is an expectation there will be a long downward cycle in property prices. Do you agree?

A: Prices may go up or down not because they have run up or run down already. It's like saying the stock market will come down because it has run up from 5000 to 15000. It does not go up or down because of how it has behaved, but because of whether the assumptions that have gone into the pricing of the market hold it up or not. Similarly, prices of property go up or down depending on demand and supply. It is a fact that job creation is happening in large numbers. Each year 13 million people are entering the job market. They discount their future cash flows through a loan to purchase property. If there is a slowdown, people feel less confident of their future cash flows. This could affect prices. The second factor is supply. There is no significant supply coming into the market. But the demand is for real. Prices may not therefore come down, though there may be corrections in pockets where economic activity is not keeping pace with earlier expectations. We have to address the issue of prices, and we should do it by increasing supply.

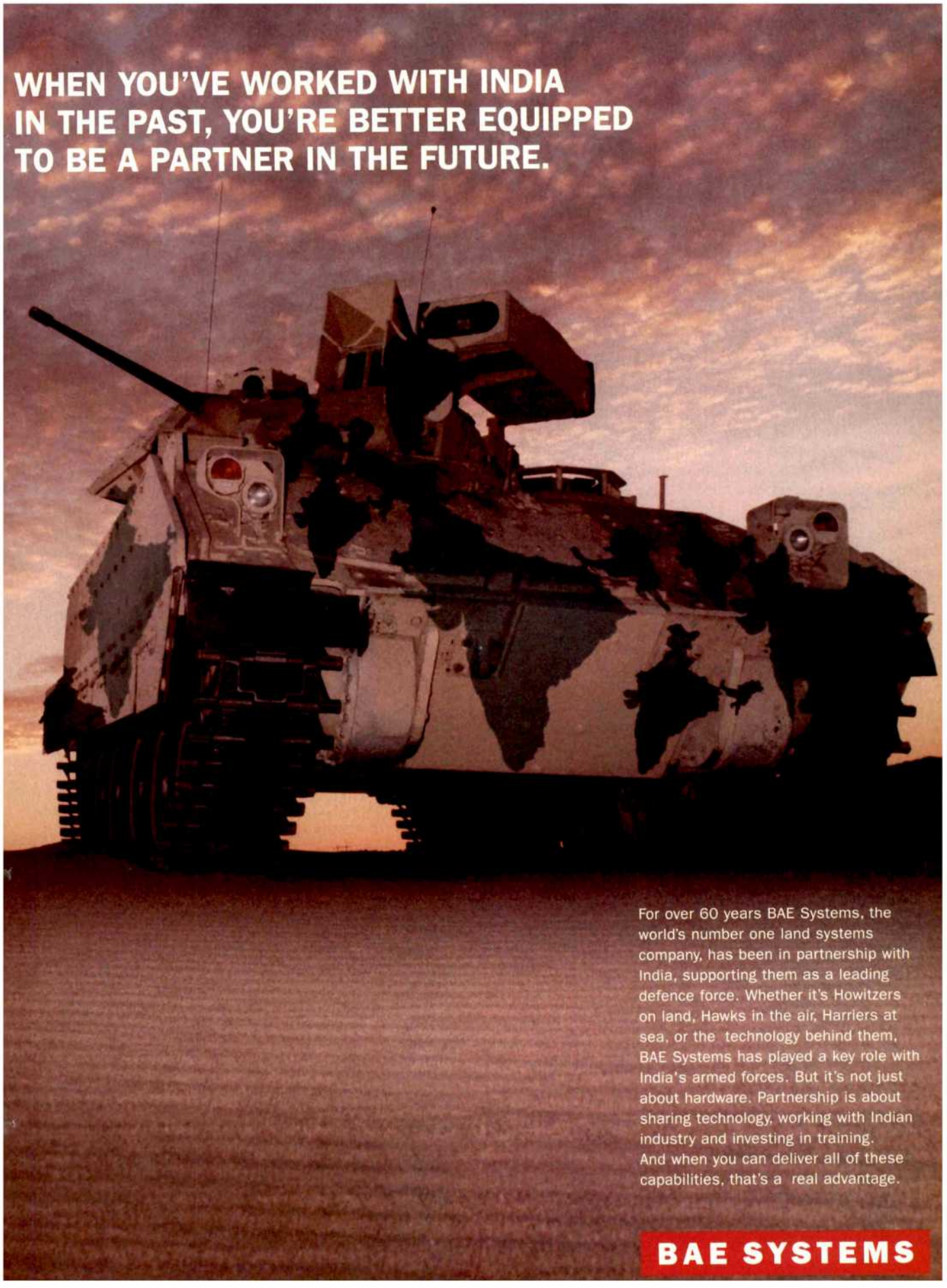
Q: What are the significant changes you have observed in the property market?

A: The perception about property has changed. The stock market 15 years ago was seen as a platform for punters and gamblers. Now it is accepted as an investment vehicle. Since it is riskier, people take positions in it depending on their lifestage; today stocks are accepted as part of asset allocation. Similarly, property is becoming a respectable investment class, besides being a utility to live in. This may increase if REITs are promoted.

Q: The consensus among property pundits is that property deals are down 40 per cent from what they were a year ago. Builders say the increasing home loan rates are the main factor for stymieing demand.

A: Home loan rates are an important factor but not the main factor. Prices have run up a lot and are now becoming unaffordable. This cannot go on endlessly from Rs 5,000 per sq. ft to Rs 10,000 per sq. ft to Rs.15,000 per sq. ft and so on. Indian property is expensive even by global standards. Prices in Mumbai are higher than in Hollywood! The market has to stop to digest this. Property prices have doubled in two years but income has grown by only 20 per cent in the same period. Finding affordable property is a real issue today.

gurbir.singh@abp.in


WHEN YOU'VE WORKED WITH INDIA
IN THE PAST, YOU'RE BETTER EQUIPPED
TO BE A PARTNER IN THE FUTURE.
For over 60 years BAE Systems, the world's number one land systems company, has been in partnership with India, supporting them as a leading defence force. Whether it's Howitzers on land, Hawks in the air, Harriers at sea, or the technology behind them, BAE Systems has played a key role with India's armed forces. But it's not just about hardware. Partnership is about sharing technology, working with Indian industry and investing in training. And when you can deliver all of these capabilities, that's a real advantage.
BAE SYSTEMS

Can It Be A Great Ride?

by Jean-Joseph Boillot, Philippe Humbert and Gopal Rajan

WELL, MR. SARKOZY CAME, HAD A GREAT TIME IN India, charmed his hosts, saw the Taj Mahal with no diplomatic snafus and plunged right back into French politics on his return. The question then is what next for the Indo-French relations?

Beyond political niceties, isn't it all about economics and business? The French love the contracts that come with good commercial relations. In turn, the Indians are quickly becoming masters on how to do business and demonstrate stellar economic growth. Doesn't this indicate good times for relations between the two countries? The reality though is somewhat different.

Rather than fear, there is a great opportunity for India and France to cooperate closely and adopt the best of entrepreneuri al ingenuity

To many in India, France seems somewhat opaque and unwelcoming, with few of its leading businesses present here. In addition, investments from France to India are not easy to identify. On the other hand, among the French, India's image has changed drastically. As written by Mira Kamdar in her excellent book *Planet India,* India used to evoke pity in the past, but now, it evokes fear!

Look at Mittal's take over of Arcelor. It was a major French and European business event for 2006 and 2007. Although the company was Dutch and Mittal had more wealth than anyone in Europe, the fact that he was Indian led to snide remarks, well below the norms of French etiquette. Adding to their consternation was the calm and calculated way Mittal went about gobbling Arcelor, forecasting great things for the merged entity and showing in 2007 that he could perform even better than his forecast. Moreover, the French anxiety is heightened by the fact, that for Indian movers and shakers, France and Europe seem to rank behind the US, China, Russia and Japan, with only England being an exception due to its old colonial ties with India.

Are Indian companies really feared by the French? Are the ones who fear the workers, the politicians, the businessmen or the French public as a whole? According to Kamdar, for many decades India fascinated the French because India embodied the essence of the mysterious East, essentially illogical but basically unknowable. But today, the French see the heady growth of India and China in the Anglo Saxon mold as exemplary observers of unbridled capitalism, which would interfere and end the French core values of equality.

The reality though is somewhat different. It is not fear as much as anxiety over the future in times of great change. India and China realise that the Anglo Saxon economic model while having changed their destiny for the better has also produced enormous wealth differences due to lack of checks and balances.

The French model on the other hand is exemplary on paper but far from perfect in practice. The new French government came to power calling for 'Rupture' from past practices and wanting to create a new model. Its modus operandi is to borrow successful policies from the Anglo Saxon model without letting go of the practices that have worked very well in the past for its society.

Hence, rather than fear, there is a great opportunity for India and France to cooperate closely and evolve a model that adopts the best of entrepreneurial ingenuity with the French core beliefs of equality.

Mr. Sarkozy made a start last week. This has to be followed by top French companies who should look at India's needs in the food, health and energy sectors and come up with innovative solutions that could be models for replication in the developing world. Indian companies such as Infosys and Tatas should absorb the eager and educated unemployed, predominantly immigrant youths of the French suburbs in China and Vietnam.

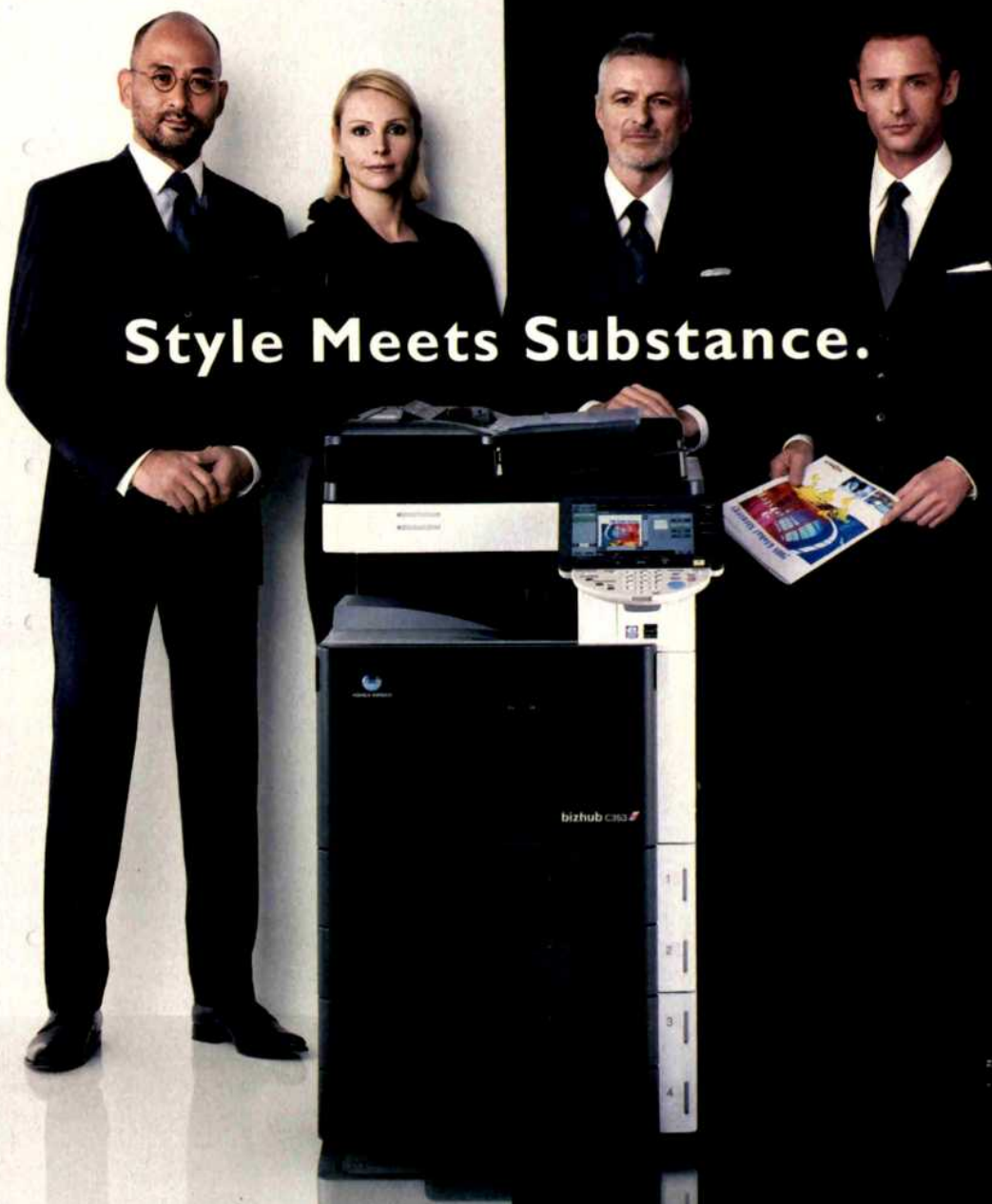
In first seven years the 21st century has clearly shown that its issues have little bearing on the past. The world is connected and so problems whether political or economic cannot be suppressed.

Similarly, we need to accept solutions regardless of where they germinate. Be its ability to provide its citizens with superb transportation and health systems or have the smallest carbon emission foot print per capita (for a major developed country), France has already shown the possible solutions in these key areas for India and other developing countries. In a similar way, France can learn from India what opening a rigid economic system can do for a country's economy and psyche. Of course, having a French president who looks at America as a friend rather than a foe can only accelerate the possibilities for France, India and America, as well as for the rest of the world.

The authors are from the Euro-India Economic & Business Group (EIEBG), a leading network on business between the two partners

KONICA MINOLTA

The essentials of imaging



Style Meets Substance.

With Konica Minolta's new black bizhub, form and function combine to bring you a comprehensive product lineup that not only looks great, but also has the brains to help your office streamline communications and boost productivity. The new colour bizhub brings style and substance together in an MFP like never before. www.biz-hub.net.

bizhub

Change the way you do business.

Colour Printer | Colour Copier | Scanner | E-Mail | Fax | Data Storage

KONICA MINOLTA BUSINESS TECHNOLOGIES, INC.

1-6-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Godrej

Godrej & Boyce Mfg. Co. Ltd. Prima Division,
3rd Floor, Plant 18/B, Vikhroli, Pirojshanagar,
Mumbai–400 079. India.

Tel. : +91 (22) 67961627 / 67962653 / 67961610.
Fax.: +91 (22) 67961526.
Email: monga@godrej.com www.godrej.com

PHOTOGRAPH: HEMANT MISHRA

Paycuts Are Here

by M. Rajendran

SYSTEM DRIVERS: The move by TCS could well become the IT sector's very own bird flu

OKAY, IT'S OFFICIAL NOW. THE INDIAN INFORMATION technology sector can no longer sustain its margins. Mumbai-based Tata Consultancy Services (TCS) has cut its employees' performance linked variable pay component, reducing salaries by an average of 1.5 per cent for this year.

Unless contained quickly, TCS' nod to the current circumstances could well become the Indian IT sector's very own bird flu. "Even if it does not become a trend, it certainly is going to impact the overall compensation growth expectations in the industry," says Rajesh Pandey, founder of People Factor, an HR Solutions company, and former senior executive at Hughes Software Systems.

BW's Salary Survey 2008 showed that IT sector's salary hikes would only be 8 per cent; a resurgent financial and banking services industry, on the other hand, anticipates a growth of more than 18 per cent.

Will others companies follow TCS in cutting variable salary?

It could be seen coming a mile off. The Indian IT industry is almost entirely driven by the software services segment. In the past few years, software services have battled the shortage of an employable work force with high salaries. "It (the pressure on margins) was waiting to happen since Indian IT companies were more focused on becoming cyber coolies rather than focusing on creating a product," says political analyst and activist Praful Bidwai. "Variable pay should take this aspect into account."

In the past couple of years, the 'cost advantage' model has come under serious threat with competition from the likes of China and Philippines. "As a result, the industry has started moving up the value chain towards consulting and product development," says Pandey.

"It is an ongoing debate: when will Indian software wizards create a product company like Microsoft?" says J. Mahalingam, HR head of Symphony Services. "We have started work but we are a long way off yet. It will take years to change the DNA of the top 10 Indian IT giants, who are leaders in services. Meanwhile, the solution is to enhance operational performance."

But if the margins were already thinning, it was nothing compared to the hits taken when the rupee grew strong. Already, the TCS variable salary cut is sending mild tremors across the industry. Truth is, no amount of soothsaying can dilute the moment of reckoning.

The First Cut

The first Indian IT company to earn $1.5 billion as revenues, a 37 per cent year-on-year growth in dollar terms, TCS posted a net of Rs 1,331 crore, up 6.72 per cent, in the third quarter of 2007-08. Last month, TCS CEO and Managing Director S. Ramadorai had assured investors that the IT major was confident its business model was robust, agile, innovative and quite up to challenges.

But this past week, TCS told its 100,000 employees that its economic value addition (EVA)

had fallen. Variable salary took a hit because it's linked to EVA, adopted in April 1999 to survive the intense competition that marks the sector. Variable pay is determined by the company's expected performance for the quarter.

The variable pay component of most TCS employees is about 30 per cent of the total compensation package. For senior management employees, vice-president upwards, the variable portion of pay is more than 40 per cent. "During the past five years, variables in compensation have gone up in the industry," notes Mahalingam.

However, S. Sankar, partner at PricewaterhouseCoopers, is perplexed at all the agitation. "Organisations need to take the younger lot into confidence while recruiting them and make them understand the concept of variable pay," he says The concept has been around for years now.

"Variable pay is the way forward. In a world competing for talent, compensation strategies can be made attractive through a healthy mix of fixed and variable pay. The whole philosophy of variable pay is to pay more when the company is doing well, and to shrink payout in tough times," says Hema Ravichandar, a strategic HR advisor and a former head of HR at Infosys Technologies.

Keeping The Herd Together

Certainly, the cut in variable salary may raise a few doubts in the minds of fresh graduates. It also offers an opportunity to a few of the existing 700,000 IT professionals. They may want to move out of this sector. A number of non-IT companies claim that even with a variable a pay packet, they remain insulated from the effects of rupee appreciation. The infrastructure sectors like power and constructions are facing a crunch of engineers, both software and electronic. This sector would hope to pull some of the talents with additional incentive and perquisites.

However, Sankar warns, "The variable pay will have to be adopted by every sector. It looks more prominent now due to various factors including Rupee appreciation, but others sectors too would be hit sometime due to other developments."

Tight Belts Are Back

HR heads are already sharing the burden by benching non-performers. On 6 February, 500 TCS staffers were shown the door, in what the company says is a normal annual practice. The numbers match those of last year. TCS' biannual appraisal system rates employees on a scale of 1 to 5 (the highest being 5). Middle managers scoring less than 2 are sent for counselling, while freshers repeat their training programme. Those who do not meet performance requirements have to look for other jobs. A week ago, 500-600 new staffers at IBM, which employs 73,000 people in India, were asked to leave.

The Way Things Stand

- Pay more when the company is doing well, and shrink payout in tough times
- Make young recruits understand the concept of variable pay at campus itself
- Rising rupee may bring in some sanity in the entire process
- The 'cost advantage' model of business is seriously under threat
- Most companies have started tightening their belts
- During the past five years, variables in the compensation package have gone up

Other tough options include austerity. Most companies have started tightening their belts. Executives are now required to cut down on telecom, entertainment and travel expenses. An ex-HCL Technologies employee found the emphasis was on advance planning, travel on low cost airfares, and using credit cards to earn air miles.

Mahalingam says chief financial officers (CFOs) of IT companies are already spending more time on improved hedging for insulation from financial upheavals abroad. Renegotiating the price during a mid-review to improve quarterly margins is another new trend. Placing the right mix of people onsite and offshore is helping limit infrastructure costs.

While the rapid appreciation of the rupee could not have come at a worse time, "Nevertheless, the Indian IT industry has shown that it has the capability to deal with this issue and, in fact, this will push the industry to quickly move up the value chain," says Pandey. "The rising rupee may be able to bring in some amount of sanity in this entire process by acting as a balancing force."

Sometimes, a rude jolt can serve as a wake-up call.

m.rajendran@abp.in

Misplaced Stimulus

by bill emmott

IF YOU THINK BACK TO 1997-98, TO THE EAST Asian financial crisis in Thailand that spread across the region, brought down the Suharto dictatorship in Indonesia and then hit other markets such as Russia and Brazil, what is the image you have of the IMF (International Monetary Fund)? Perhaps you don't have one, or perhaps you remember the demonstrations in South Korea, Thailand, Indonesia and elsewhere in which protestors denounced the IMF. The image I remember is very different. It is a photographic image of a severe-looking Frenchman folding his arms.

That Frenchman was Michel Camdessus, then the IMF's managing director, and the occasion was the Indonesian government's signing of a loan agreement with the IMF under which it would cut its budget deficit and implement other austerity measures.

The photograph was later considered a symbol of the IMF's supposedly imperialist ways. A year or two later, I saw it displayed in the office of a senior Indonesian public official, as a reminder of how bad things had become in 1997-98. It was also a reminder that whenever the IMF gets involved in solving a problem, its solution is painful, with budget cuts at the top of its list of required actions.

The IMF chief's call for bigger budget deficits is not the answer to the financial crisis faced by the West

There is now a financial crisis unfolding in the rich world, centred on the US but also affecting the European Union. And the head of the IMF is again a Frenchman, and he has again caused consternation. This time, however, Dominique Strauss-Kahn, the IMF's new managing director, has called on governments around the world to deal with the crisis by expanding their budget deficits, by doing whatever they could to stimulate economic growth using their fiscal policies.

Perhaps this should not be a surprise. Strauss-Kahn is a former Socialist finance minister, and French Socialists have often believed that good can come from budget deficits. Yet he has sounded quite austere in the past, and the most surprising thing about his intervention is its timing. There have been predictions that the US will slide into recession, that a global slowdown will occur, but there is little hard evidence that it is happening. Unemployment in the US has been rising, but only for one month and not yet by very much.

The only news has come in financial markets, thanks to huge losses by US and European banks (and smaller losses by Asian banks) as a result of the crash in value of subprime mortgages and complex credit derivatives. In the week before Strauss-Kahn made his call, the US Federal Reserve had made its biggest one-day cut in interest rates since 1984, soon followed by a further cut.

Nevertheless, even though the IMF boss may be making a premature intervention, some governments have responded enthusiastically. In the US, Congress and the White House were already striking a deal for a $150-billion fiscal package. In India, Finance Minister P. Chidambaram was reported to have said that India might have some room to help with more fiscal stimulus. Politicians in France and Italy jumped quickly into line, pressing for greater fiscal laxity.

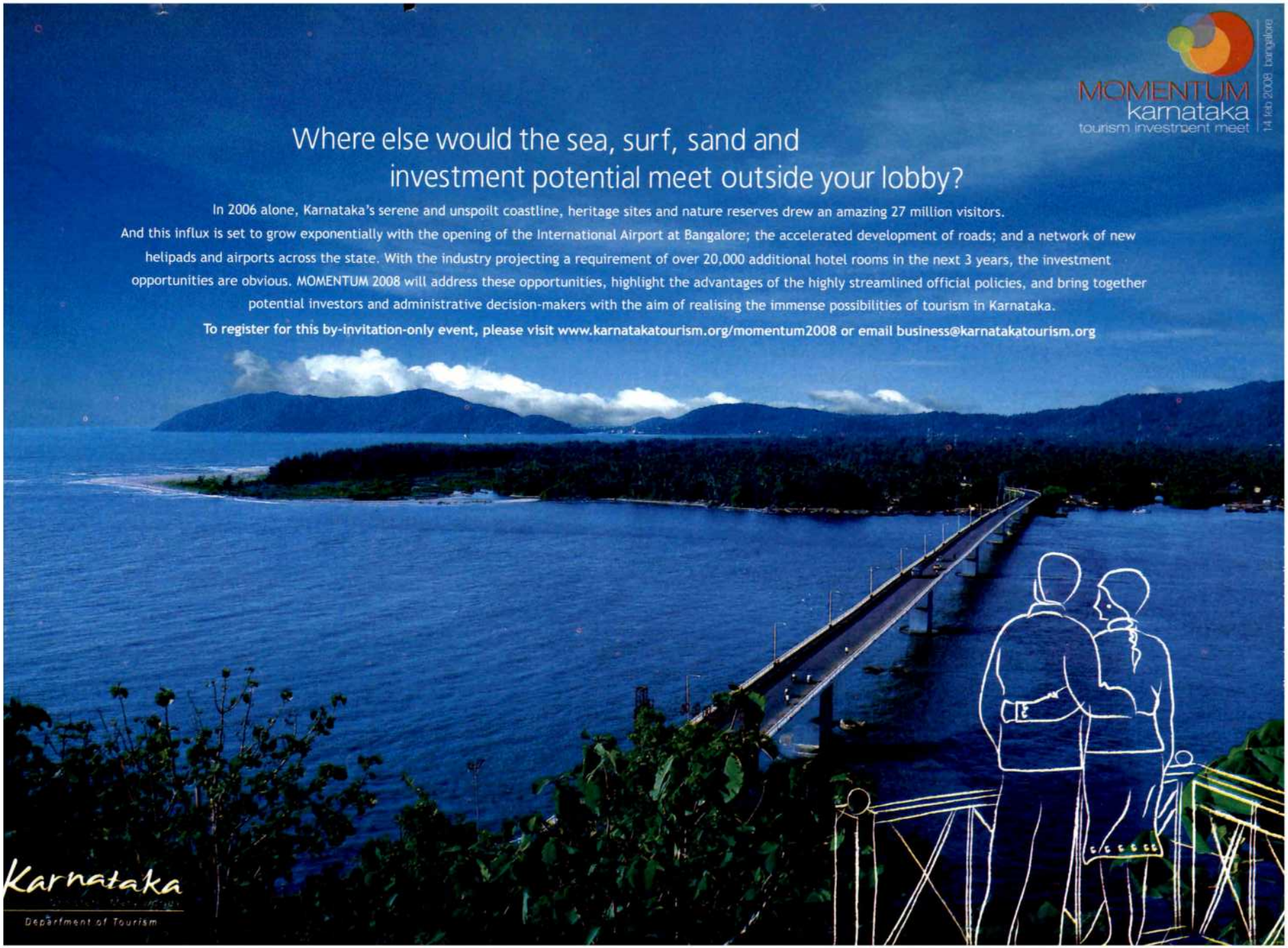
But is Strauss-Kahn correct? Would it be right for everyone to cut taxes and raise public spending to keep the world economy growing rapidly? The general answer is, no. As the sky-high prices for oil, metals and wheat show, the world has too much demand, not too little. Fiscal stimulus makes sense only when demand needs to be boosted. That is not currently the case, nor would it be if the global economy slows down according to the IMF's new forecast growth rate for 2008 of 4.1 per cent, down from 4.9 per cent in 2007.

A better answer, though, is that in some countries — where demand is weak and deflation is becoming a problem — fiscal policy could help mitigate a likely economic slowdown. That may soon include the US, so it is good news that there will be a fiscal package, flawed though it will be thanks to political bargaining.

That may also include Japan, where the budget deficit is high but demand is weak. The Japanese government has been debating when to raise taxes in order to cut back public debt. That debate should now end, to be replaced by discussion of whether some fiscal stimulus would help support economic growth — but by cutting taxes, not by spending money on public construction projects as during the 1990s.

It doesn't, however, include emerging economies such as China and India, where inflation is the danger, not deflation. Only if that changes, with a worse growth slowdown than the IMF expects, should they consider increasing their budget deficits. Their finance ministers should emulate Camdessus and not Strauss-Kahn, and keep their arms folded.

The author is a former Editor of The Economist.
policyworld.bw@gmail.com


MOMENTUM
karnataka
tourism investment meet
14 feb 2008 bangalore
Where else would the sea, surf, sand and
investment potential meet outside your lobby?
In 2006 alone, Karnataka's serene and unspoilt coastline, heritage sites and nature reserves drew an amazing 27 million visitors.
And this influx is set to grow exponentially with the opening of the International Airport at Bangalore; the accelerated development of roads; and a network of new helipads and airports across the state. With the industry projecting a requirement of over 20,000 additional hotel rooms in the next 3 years, the investment opportunities are obvious. MOMENTUM 2008 will address these opportunities, highlight the advantages of the highly streamlined official policies, and bring together potential investors and administrative decision-makers with the aim of realising the immense possibilities of tourism in Karnataka.
To register for this by-invitation-only event, please visit www.karnatakatourism.org/momentum2008 or email business@karnatakatourism.org
Karnataka
Department of Tourism

In Conversation

'Goyal Drove Gulf Air Out Of Jet'

–Björn Näf
CEO and President, Gulf Air

GULF AIR WAS ONE OF THE FIRST INTERNATIONAL airlines to fly into India in 1971. It was also one of the original promoters of Jet Airways, before the Indian government reversed foreign ownership rules for airlines, forcing it and Kuwait Airways to exit in 1996. The emergence of formidable rivals such as Emirates and Qatar Airways and a host of issues at home eroded Gulf Air's India market share. But now, under a single owner — the King of Bahrain — and with a new team and a new CEO and President Björn Näf, Gulf Air has inked an exclusive pact for flights to India. Näf spoke with *BW's* Puja Mehra on his maiden visit to India. Excerpts:

TOSHIWAN SHARMA

Q: How much of Gulf Air's business comes from India?

A: We were the first carrier to come into India. Since 1971, Gulf Air has been flying into India. We lost a bit in the last couple of years to other carriers — Emirates, Qatar, Etihad and strong local-growth ones. And now a new management team is in charge. A new board is in charge. There's one owner. So there's one master to serve and we can align our growth strategy to the growth strategy of the kingdom and the country. We have currently seven India destinations. We can go up to eight and increase them even further. Of this trip, the success story is that we have secured a bilateral agreement between Bahrain and India which was not there before. There was an agreement between Oman and Bahrain and India but now we have separated it. Now it is exclusively between Bahrain and India.

Q: How many more seats have you secured?

A: We got about 10 per cent more but it was important for us to secure what we had. Because Oman was there as well, and they said we want to have 25 per cent of the allocation of the Gulf Air seats. We were able to keep and even increase seats, sign a memorandum, increase frequencies to certain markets and even have Hyderabad as a new market. This is the first step. We have the agreement. We will keep the discussion on to increase seats, frequencies and destinations.

Q: Are fares to India very competitive or do they offer healthy margins?

A: No, it's a tough fight. The yield margins are rather at the lower end. This is part of the passenger mix. We fly a lot of people who work in the Middle East and go back to their families. You can not charge them as much as you can charge a business passenger, and currently we still have a lot of economy class passengers.

Q: At what rate has Gulf Air's business from India been growing?

A: That's a question I can't answer. There is a lot of joint effort on both sides to grow the Indian business in Bahrain and vice versa. Gulf Air's all-in-all market in Bahrain is too small. We need to transfer market as well. We are looking at a hub. We want to connect the Middle East network to the world — obviously to India. Earlier, we had a lot of complaints about flying old equipment to India, about punctuality and about crew not speaking the Indian language. I experienced that myself and I am going to change that.

Q: India is stepping up infrastructure, especially at the airports. How are you coping with the transition?

A: When I came to Delhi I was surprised at the infrastructure. The airport is not up to the standards. If you have to have a good product, it is not enough to have a good in-flight product. You have to have a good product on the ground as well. This is what a business passenger complains about the most.

Q: Can the infrastructure deficit result in a high-tension operating environment?

A: It certainly can be, yes. But it's the same travelling to Heathrow. India's infrastructure deficit is a difficulty for us, like for all other airlines. Air traffic congestion and air traffic control in India are big issues. Same issues are in Europe, by the way.

Q: How does India compare with Europe in pace of infrastructure growth?

A: Air traffic is growing much faster than the infrastructure can grow. To build an airport is a 5-10 year investment. You build an airport not overnight but a schedule change for an airline you do overnight and can get capacity within two-three months easily. So if all the airlines are growing at 10-15-20 per cent, the infrastructure will not cope. Everybody has to understand that. It is sometimes difficult to accept. One of the challenges in India is to bring the infrastructure to a point where airlines can grow, where you have the right airports, the right terminals and swell air traffic management. Europe started the process much earlier because there were many airlines complaining for many years.

Q: Any suggestions or complaints about the changes?

A: Have a free market. Have open sky. Now we have to negotiate for our seats. We would like to have the opportunity to fly wherever the market wants us. The market will isolate the successful from the unsuccessful. I don't need governments to be involved. Let the market dictate who should be successful. Like in the US. You go to Europe, you fly wherever. We had this deregulation many years ago in Europe. You had an enormous growth of airlines. Here in India, like bilateral discussions with Bahrain, it is a nice experience as you get to know a lot of interesting people. But it is a process

Fast Facts

Established
1950

CEO
Björn Näf

Headquarters
Bahrain

Operations
26 countries, 40 destinations

Employees
5,500

Fleet
35 aircraft. By 2016, 24 Boeing 787 Dreamliners to be added

Key destinations
Istanbul, Athens, Cairo, Dubai, New Delhi, Mumbai, Kochi, London, Paris and Manila

slowing down the growth of Gulf Air and of the other airlines as well. What I'm saying is that Air-India was there at the bilateral talks and they were listening to our needs. Air-India is steering talks and seat allocation, what destination we will fly to and the frequencies. In the other parts of the world, if you have bilaterals you discuss it with the country — government to government. There is no reason for Air-India — a competitor — to be present at these talks. The government is trying to protect it's own airline.

Q: What about the threat from low-cost airlines?

A: It is competition. The more players eat from the cake, the better you have to get. Competition is always healthy because it gives us pressure to constantly improve. If you look at Europe, successful low-cost carriers abide by their business models. Low cost is high frequencies, high utilisation of aircraft and big volumes. If you fly three hours with low-cost airlines, the utilisation is not the same. It is per departure where you make money and not per sector length.

If you really apply the business model as a low cost, you are within India and you fly high frequencies. If you start going to Bahrain — three and a half to four hours — it is not a business model for low-cost carriers. Jet is a different carrier. It is not low-cost. The business model can work. We have competition [from Jet] in the Middle East. We offer seats for the same price you fly with other carriers. That calls for an adjusted product in the cabin and better cost management in the economy class. That is the worldwide trend — even as a network carrier you have a cost base which is affordable and you can compete in the market.

Q: You say low-cost carriers are changing the rules of the game for aviation?

A: They are, yes. We have to watch them. We have to be competitive. We have to have an economy product which is attractive to the Indians who work in Bahrain and travel to and fro. India is growing strongly so the business is growing. The Middle East is growing strongly, so the business traffic will grow.

Q: What sort of competitors are Indian carriers?

A: Well, we were 20 per cent shareholders of Jet Airways originally. I wasn't here when this all happened. I don't know why Gulf Air pulled out at that time.

Q: Indian government's regulations....

A: ...which were obviously driven, I understand, by Naresh Goyal. Right? So, he was driving it obviously. There are a lot of things of the history and legacy which I was not involved. I could just say what Jet Airways has done is remarkable. They have transformed aviation in India. They were at the starting point. They were challenging the legacy carriers — the flag bearers Air-India — who are under a lot of pressure to change. They have to merge. Huge legacy —unions. Raise the quality, change the morale. Have the unions involved. It is a big challenge. And these are, in a way, challenges that Europe faced many years ago, carriers in the US faced many years ago and now these are in India. Indian flag carriers have to change how they do business. They have to know how to react to the market fast. Jet Airways is coming with a lot of pace. A start-up carrier has no legacy. They can grow full-steam forward. That's what they are doing. It is a serious player in the market. It helps the economy by helping people travel. Transportation is a very important growing component in the economy.

Indian Airlines and Air-India are merging. It is a huge challenge. I was in the exercise when we merged in Switzerland the Swiss Air culture with Cross Air culture. It is something even five years later not absorbed. It is an enormous task at hand. I wish them good luck. Low-cost carriers — Kingfisher, IndiGo — they are all dynamic. They are all coming with a different approach. The national legacy carriers have to be on their toes.

Q: And how do the international airlines see them?

A: With a lot of respect. Kingfisher is an excellent product. They have modern product, a motivated staff, a cost structure which is competitive, a fare that people fly with, an excellent safety record. India is catching up. These airlines — Jet Airways, Kingfisher and others — are doing it with first-world standards. Eventually, there will be consolidation. History has shown that in the US, in Europe. And only the ones which are covering their spot — be it on the low-cost side or the premium product side — will survive. But this is many years down the line. Jet Airways is flying to Bahrain and I can't say I am happy but I am saying it is competition and you have to do it better.

puja.mehra@abp.in

CHINA AIRLINES

The Finest Carrier from Taiwan

Good Afternoon, Ladies & Gentlemen.

China Airlines welcomes you on board the most convenient flight to Seattle.

Now five times a week, excepting Thursdays and Saturdays, you can take off in the afternoon for the most comfortable connection to Seattle. And besides **Seattle**, China Airlines also flies you to **Los Angeles, San Francisco** and **Vancouver**. With one of the youngest fleets in the world, the lavish care of the Dynasty Supreme Class and the most silent cabin in the sky it's the finest flying experience that a corporate traveller can look forward to. Add to that personalized seat designs, award-winning on board service, delectable Indian & Oriental cuisine, Bollywood hits, laptop outlets and satellite phones and one cannot but agree that China Airlines is the way to arrive.

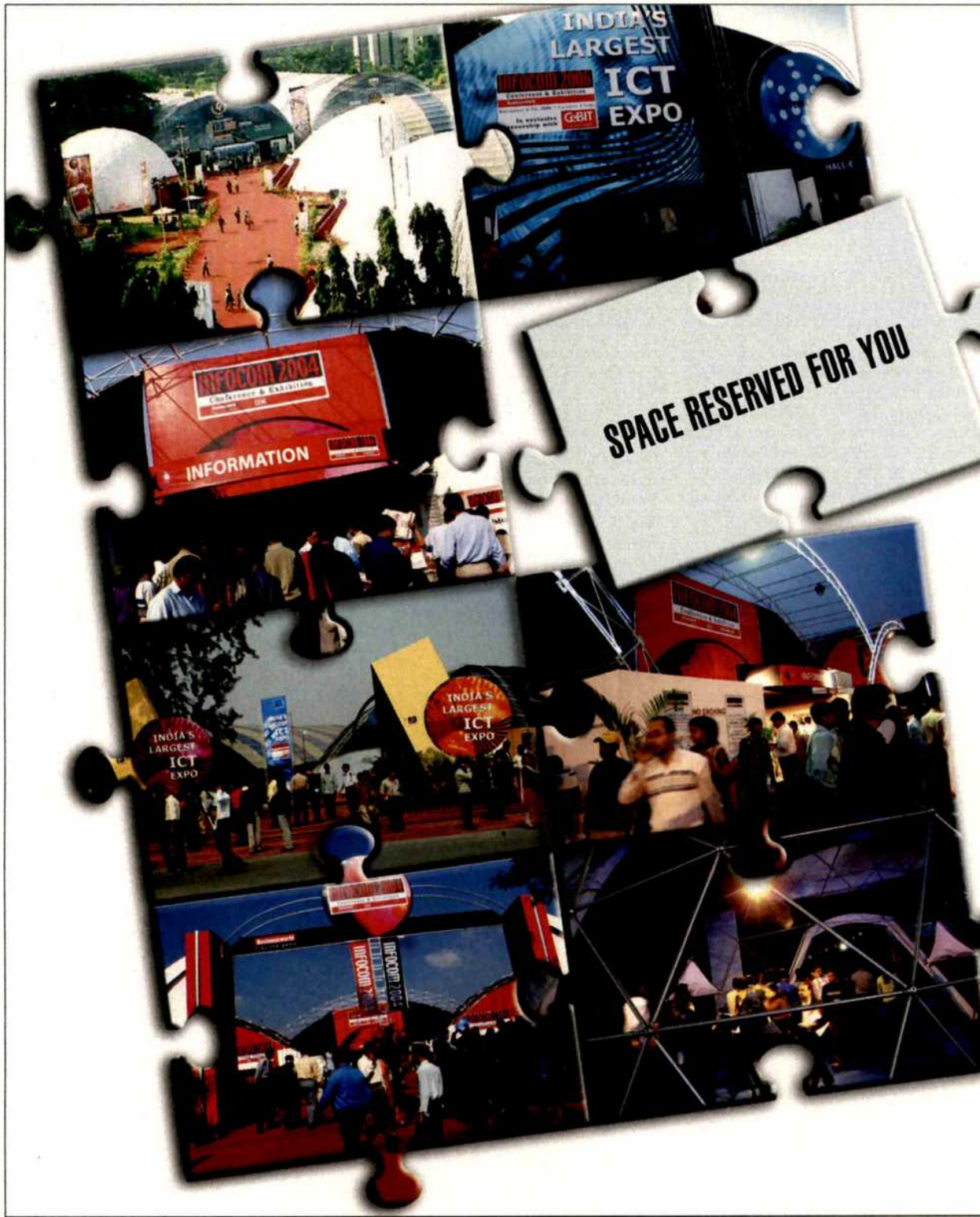
SKYTRAX Business Research Group has once again recognised China Airlines for overall excellence in services, ranking it second in Economy Class, sixth in Business Class and eighth in First Class services among the top 66 airlines of the world for the year 2007.

Flight Schedules

Days	Destinations	Flt No.	Dep.	Arr.
Mon, Tue, Wed, Fri, Sun	Seattle-Taipei	CI 182	1410	2215
Mon, Tue, Wed, Fri, Sun	Taipei- Seattle	CI 022	2305	1755
Mon, Tue, Wed, Fri, Sun	Seattle-Taipei	CI 021	0015	0600
Mon, Tue, Wed, Fri, Sun	Taipei-Delhi	CI 181	0815	1250
Mon, Tue, Wed, Fri, Sun	Delhi-Taipei	CI 182	1410	2215
Mon, Tue, Wed, Fri, Sun	Taipei-San Francisco	CI 004	2325	1810
Mon, Tue, Thu, Sat, Sun	San Francisco-Taipei	CI 003	0015	0605+1
Mon, Tue, Wed, Fri, Sun	Taipei-Delhi	CI 181	0815	1300
Mon, Tue, Wed, Fri, Sun	Delhi-Taipei	CI 182	1410	2215
Mon, Tue, Wed, Fri, Sun	Taipei-Los Angeles	CI 008	2325	1850
Mon, Tue, Thu, Sat, Sun	Los Angeles-Taipei	CI 007	2310	0540+1
Mon, Tue, Wed, Fri, Sun	Taipei-Delhi	CI 181	0815	1300
Mon, Tue, Wed, Fri, Sun	Delhi-Taipei	CI 182	1410	2215
Mon, Tue, Wed, Fri, Sun	Taipei-Vancouver	CI 032	2330	1745
Mon, Tue, Thu, Sat, Sun	Vancouver-Taipei	CI 031	0035	0530+1
Mon, Tue, Wed, Fri, Sun	Taipei-Delhi	CI 181	0815	1300

DELHI : 23327131 FAX: 23324078 APT:25656258 FAX: 25656256
CHANDIGARH : 2746173: 2746153 FAX: 5079357
JALANDHAR : 2233125 / 5087103 FAX: 5087038
MUMBAI : 26817551 FAX: 26817290
CHENNAI : 43009195
www.chinaairlinesindia.com

ntage 2319 08



International Media Partner:
CNN

Radio Partners:
91.9fm friends
RED FM 93.5

Associate Sponsors:
PREVIDENT
The first name in enclosure systems
Avocent
DELL
SAP
CAMELLIA GROUP
PAILAN GROUP
AXSYS TECHNOLOGIES
Sun microsystems
SIEMENS
Siemens Information Systems Ltd.

ABP

INFOCOM 07 08
Conference & Exhibition
Businessworld initiative
Hyderabad ▪ Calcutta
In exclusive partnership with CeBIT Join the vision

.ET THOUSANDS OF VISITORS GET A REAL TIME EXPERIENCE OF YOUR PRODUCTS AND SERVICES. DISPLAY THEM @ THE NFOCOM 07-08 EXHIBITION BETWEEN EBRUARY 21-24, 2008.

IFOCOM 07-08, India's largest Information and Communication Technology CT) Expo is back again in Calcutta. Participate in the Exhibition at the Salt Lake Stadium grounds id make the most of this opportunity by showcasing your ideas, products and business solutions. you have anything to do with IT you just can't afford to miss INFOCOM 07-08.

In association with:

ADVANTAGE BENGAL
DESTINATION KOLKATA

hibition Highlights:

er 150,000 sq. ft. of exhibition space
er 200 exhibitors in fully air-conditioned ambience
all sizes: 2m X 3m, 3m X 3m, 6m X 5m, 6 m X 6m and multiples
er 100,000 expected footfalls

To book your stall space, wire up with:

Calcutta - Rudrashish Nag (9831310118) • Bangalore - Raja Mitra (9886019111) • Chennai - Rajiv Reddy (9841033442)
Delhi - Anita Mazumdar (9810331309) • Hyderabad - Chandrashekhar Avvaru (9963137307)
Mumbai - Bhaswati Ghosh (9819022145)

Email: info@indiainfocom.com • Website: www.indiainfocom.com

FUTURESOFT™ HDIL Creating Value Microstructures | Megastructures | Infrastructure Housing Development and Infrastructure Ltd. Cognizant CISCO

INFOGEN global WDC UGFA Quality that's unbeatable TECHNO INDIA GROUP Seagram's BLENDERS PRIDE MAGICAL NIGHTS

From Teacher To Student

by kenneth rogoff

CAMBRIDGE — AS THE UNITED STATES' EPIC financial crisis continues to unfold, one can only wish that US policymakers were half as good at listening to advice from developing countries as they are at giving it. Americans don't seem to realise that their "subprime" mortgage meltdown has all too much in common with many previous post-1945 banking crises throughout the world.

The silver lining is that there are many highly distinguished current and former policymakers out there, particularly from emerging market countries, who have seen this movie before. If US policymakers would only listen, they might get an idea or two about how to deal with financial crises from experts who have lived through them and come out safely on the other side.

If the US would only listen, it might get an idea about how to deal with financial crises from experts

Unfortunately, the parallel between today's US crisis and previous financial crises is not mere hyperbole. The qualitative parallels are obvious: banks using off-balance loans to finance highly risky ventures, exotic new financial instruments, and excessive exuberance over the promise of new markets.

But there are strong quantitative parallels as well. Professor Carmen Reinhart of the University of Maryland and I systematically compared the run-up to the US subprime crisis with the run-up to the 19 worst financial crises in the industrialised world over the past 60 years. These include epic crises in the Scandinavian countries, Spain, and Japan, along with lesser events such as the US savings and loan crises of the 1980's.

Across virtually all the major indicators — including equity and housing price runs-ups, trade balance deficits, surges in government and household indebtedness, and pre-crisis growth trajectories — red lights are blinking for the US. Simply put, surging capital flows into the US artificially held down interest rates and inflated asset prices, leading to laxity in banking and regulatory standards and, ultimately, to a meltdown.

When Asia and Latin America had their financial meltdowns in the 1990's and early 2000's, they took advice not only from the IMF, but also from a number of small panels composed of eminent people representing diverse backgrounds and experiences. The US should do the same. The head of the IMF, Frenchman Dominique Strauss-Kahn, could easily select a superb panel from any range of former crisis countries, including Mexico, Brazil, Korea, Turkey, Japan, and Sweden, not to mention Argentina, Russia, Chile, and many others.

Admittedly, the IMF's panel would have to look past America's current hypocrisy. The US Treasury strongly encouraged Asia to tighten fiscal policy during its 1990's crisis. But today the US Congress and President are tripping over themselves to adopt an ill-advised giant fiscal stimulus package, whose main effects will be to tie the hands of the next president in simplifying the US tax code and closing the budget deficit.

Americans firmly told Japan that the only way to clean up its economy was to purge insolvent banks and regenerate the financial system through Schumpeterian "creative destruction".

Today, US authorities appear willing to contemplate any measure, no matter how inflationary, to insure that none of its major banks and investment houses fails.

For years, foreign governments complained about American hedge funds, arguing that their non-transparent behavior posed unacceptable risks to stability. Now, many US politicians are complaining about the transparency of sovereign wealth funds (big government investors mainly from Asia and the Middle East), which are taking shares in trophy American assets such as Citibank and Merrill Lynch.

In fact, having countries such as Russia and China more vested in the well-being of the US economy would not be a bad thing. Yes, the IMF ought to develop a voluntary code of conduct for sovereign wealth funds (SWFs), but it should not be used as a weapon to enforce financial protectionism.

For years, I, along with many others, have complained that emerging markets need greater representation in global financial governance. Today, the issue goes far beyond symbolism. The US economy is in trouble, and the problems it spins off are unlikely to stop at the US border. Experts from emerging markets and elsewhere have much to say about dealing with financial crises. America should start to listen before it is too late.

Rogoff is Professor of Economics and Public Policy at Harvard University, formerly chief economist at the IMF.

© Project Syndicate, 2008

Gujarat Mineral Development Corporation Ltd.

(A Govt. Of Gujarat Enterprise)

Khanij Bhavan, Nr. University Ground, 132 ft. Ring Road, Vastrapur, Ahmedabad - 52.

Unaudited Financial Results for the quarter ended 31st December, 2007

(Rs. In Lakhs)

Sr. No.	Particulars	For the Qtr. Ended 31/12/07	For the Qtr. Ended 31/12/06	For the 9 Months Ended 31/12/07	For the 9 Months Ended 31/12/06	For the Year Ended 31/03/07 (Audited)
	Income :					
1	Net Sales/Income from operations	25722.70	13279.88	65822.70	39912.77	58895.65
2	Other Income	2425.81	703.69	4326.02	1692.93	3486.51
3	Total Income (1+2)	28148.51	13983.57	70148.72	41605.70	62382.16
4	Expenditure					
	A. Increase (-) / decrease (+) in Stock in trade & work in progress	- 448.22	85.45	- 542.23	63.58	- 79.83
	B. Staff Cost	2079.43	1445.19	5500.93	3907.78	5819.91
	C. Overburden removal expenses	1478.75	1902.71	5010.14	4094.62	5834.92
	D. Royalty & Dead Rent	1630.78	993.26	4056.35	2904.55	4065.03
	E. Power & Fuel	806.47	838.72	2648.56	3484.87	3998.57
	F. Stores Consumption	1834.81	842.01	2864.52	2464.61	3049.03
	G. Operational Expenditure	3437.82	2194.87	8409.52	5389.95	6677.79
	H. Depreciation	3519.44	3573.14	9950.44	9520.26	12932.05
	Adjustment of depreciation of earlier year	- . -	- 5271.46	- . -	-5271.46	- 5536.00
	I. Project Development deferred exp	75.27	75.28	225.83	225.83	301.11
	J. Prior Period Adjustments & others	66.97	- 44.10	82.62	- 15.85	1173.84
	Total	14481.52	6635.09	38206.68	26768.74	38236.42
5	Interest	1605.06	1765.35	4963.30	5684.87	7370.52
6	Exceptional Item					
7	Profit (+) / Loss (-) from Ordinary Activities before Tax (3) - (4+5+6)	12061.93	5583.13	26978.74	9152.09	16775.22
8	Tax expenses :					
	Current tax	3450.00	595.86	5751.00	1026.86	1.05
	Deferred tax	- 726.20	-277.57	1166.18	- 68.41	5866.33
	Fringe Benefit tax	13.00	- 0.87	37.00	29.13	40.00
9	Net Profit (+) / Loss(-) from Ordinary Activities after tax (7-8)	9325.13	5265.71	20024.56	8164.51	10867.84
	Short provision of tax for earlier years	0.00	0.00	0.00	0.00	1420.48
	Net profit (+) / Loss (-) after short provision of earlier years	9325.13	5265.71	20024.56	8164.51	9447.36
10	Extra Ordinary Items (net of tax expense)	0.00	0.00	0.00	0.00	0.00
11	Net profit (+) /Loss (-) for the period (9-10)	9325.13	5265.71	20024.56	8164.51	9447.36
12	Paid-up Equity Share Capital (15,90,00,000 Equity shares of Rs.2/- Each)	3180.00	3180.00	3180.00	3180.00	3180.00
13	Reserves & Surplus excluding Revaluation Reserves as per balance sheet of previous accounting year					80693.28
14	Earning Per Share					
	A. Basic and Diluted EPS before Extraordinary Items	5.86	3.31	12.59	5.13	5.94
	B. Basic and Diluted EPS after Extraordinary Items	5.86	3.31	12.59	5.13	5.94
15	Public Shareholdings					
	No.of Shares	41340000	41340000	41340000	41340000	41340000
	Percentage of Shares	26%	26%	26%	26%	26%

PBT up by 116.04 %

Total Income up by 101.30 %

EPS up by 77.04%

PAT up by 77.09 %

NOTE :-

1 The number of investor complaints received during the quarter, resolved and pending as on 31st December, 2007 is as under :
   A) Number of complaints pending as on 1st October, 2007. (0) B) Number of complaints received during the quarter. ended 31st December, 2007. (8)
   C) Complaints disposed off during the quarter ended 31st December, 2007. (8) D) Unresolved complaints at the end of the quarter ended 31st December, 2007. (0)
2 In terms of shareholders approval, the equity shares of the Company having face value of Rs.10/- each were subdivided into 5 equity shares of Rs. 2/- each & the demat accounts of the shareholders as on the record date i.e. November 16, 2007 were credited with the new shares on November 17, 2007. Similarly, new certificates have been despatched to the shareholders holding the shares in physical form, who have deposited old share certificate of face value of Rs. 10/- each.
3 Earning per share (EPS) has been recomputed for earlier period in accordance with Accounting Standard (AS-20) due to sub-division of shares of the Company from face value of Rs. 10 to Face value of Rs. 2 per share.
4 Previous period / year figures have been regrouped wherever necessary.
5 The limited review of the results has been carried out by the Auditor.
6 The above results have been reviewed by the Audit Committee of the Board of Directors on 30.01.2008 and same have been taken on record by the Board of Directors in its meeting held on the same date.

For and on behalf of the Board of Directors,

C. J. Jose, IAS
Chairman & Managing Director

Place :- Ahmedabad
Date :- 30th January, 2008

Web site :- www.gmdcltd.com

The Green Miracle

by Vishal Krishna

COMMITMENT: In ten years, the Mahindra Group has turned a one-tree campus into a forest with plenty of flora and fauna

Once a barren stretch, Mahindra college is now a lush reserve

IN *THE MAN WHO PLANTED TREES*, FRENCH AUTHOR Jean Giono's post-World War II novel, protagonist Elzeard Bouffier dedicates his life to planting seeds on the barren French Alps. At his death bed, Bouffier is surrounded by thousands of people who come to wonder at the denuded mountains that have become dense forest. The truth in Giono's fiction is evident when you step into the Mahindra United World College (MUWC) campus, 40 km south-east of Pune, in the hilly region close to the village of Khubavali. The MUWC campus is located in the Western Ghats, a world bio-diversity hotspot, strung disjointedly from coastal Gujarat to Kanyakumari.

Some years ago, members of the board at the MUWC noted that most teachers leaving the college wished its campus was greener. "So, it was not working in a forest area that was the problem," says Hector Andrade, who heads MUWC's Humanities section, and is director of the college's bio-diversity project. "To attract more visitors, it was preserving the forest that really mattered. When the college suggested that we could create a reserve out of the park, the board jumped in to the idea." The board sanctioned Rs 1 crore to turn 170 acres of MUWC into a reserve. Van Vihar (the name given to the reserve) is envisaged as a 25-year-long project.

"Even as corporates chalk out their plans for environment protection, lending our support to the students and faculty of the Mahindra United World College to preserve their natural surrounding and create the Van Vihar Biodiversity Park and Reserve was an easy decision," says Anand Mahindra, vice-chairman and managing director of the Mahindra Group. "We acquired a one-tree campus ten years ago, which has been transformed into a thriving forest with hundreds of species of native plants." Forest officials recently notified 80 more acres as part of the reserve.

Green Revolution

When MUWC's first batch of students arrived a decade ago, deforestation and over-grazing had left behind a wasteland in these parts. According the World Wildlife Fund, "More than half (58 per cent) of the natural habitat in the Northern Western Ghat eco-region has now been cleared. Habitat loss and fragmentation are especially heavy in the northern reaches of the eco-region, close to the large cities of Mumbai and Pune."

The campus is currently home to 800 species of native trees. "From 2001, we started planting seeds just to make the college look greener. We focused on planting trees that were native to the region," says David Wilkinson, head of MUWC.

"Seven years ago, we stopped grazing in the vicinity. We made our gardeners plant trees native to tropical rain forests. Till then, they were busy planting ornamental trees such as the Singapore Cherry and the Australian Acacia, which are both water guzzlers," says Andrade.

The Mulshi River flows past scenic village vistas. MUWC also identified 14 streams across the reserve, where 22 check dams have been built to ensure post-monsoon water supplies for the reserve. The college's 90,000-litre sewage treatment plant recycles water for its gardens. Eventually, MUWC hopes to bring six surrounding villages under its conservation umbrella.

"We have also decided to create a conservation park, which would span 95 acres. This park will house all medicinal plants that are available in the Western Ghats," says Wilkinson. It will be open to all researchers and agricultural colleges.

MUWC's Environment Protection Associa-

tion (EPA), a student body, has helped catalogue the trees, birds and insects at the MUWC. "The EPA has been successful because students have been communicating with local people about conservation, and educating rural kids on the environment," says Andrade. The school also has a nursery. Evironmental studies has been introduced as a subject in the college from this academic year.

A thriving eco-system is home to diverse animals and insects, from different ant species to smaller mammals. MUWC has recorded the presence of 60 species of butterflies and 160 species of moths. "It is only a total of 250 acres that MUWC is working on. It is a micro eco-system. But it is a start nevertheless and we need more participation from such groups to create larger eco-systems," says Ashok Khadse, the deputy conservator of forests, in Pune.

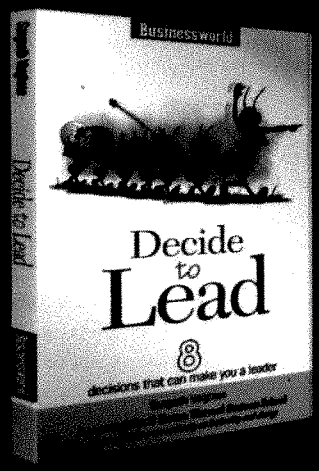
Lessons In Life

The first United World Colleges were set up in the 1950s. Founder Kurt Hahn led officers of different nationalities in the erstwhile West Germany, who realised they worked best together, although they were racially different. Hahn believed that if young people from different nations, races and religions could be brought together to learn from each other, the world would be rid of conflict. The Mahindra UWC has 225 students, and 70 per cent of them are visiting scholars from other countries. Selection to UWCs worldwide is based on applications sent to appointed national committees. Ninety-five per cent of the students are provided scholarships by governments, or private foundations. The Mahindra UWC was built ten years ago, with Rs 36 crore funding from the Mahindra Group. MUWC's integration programme invites students from the neighouring villages to study with young people from abroad. "Importantly, three village kids study in the International Baccalaureate programme every year. Their first batch is now going to universities in the US on a full scholarship," says Wilkinson. The Shelby Davis scholarship supports graduates of UWCs.

"The achievement of these bright kids leads to realising my father, Harish Mahindra's, overall vision of bringing education and opportunity to those who need it most," says Anand Mahindra. Elzeard Bouffier would agree.

vishal.krishna@abp.in

NINE DECISIONS CAN MAKE YOU A LEADER.
THE FIRST ONE IS TO BUY THIS BOOK.



By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

Businessworld
YOUR UNFAIR ADVANTAGE

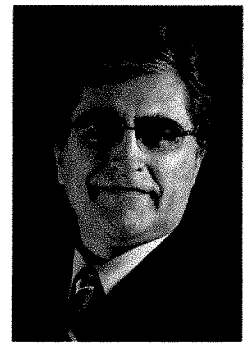
For more information contact: Businessworld, Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi - 110002. Tel: 011-2370 2170-79

Will UNI Survive?

by gurbir singh

SOME SAW A GLIMMER OF HOPE FOR UNITED News of India (UNI) when Essel Group chairman Subhash Chandra took over the ailing news agency in September 2006. Other stake holders, including the union, cried foul and saw it as an invasion of the agency's cooperative character. Now with the Company Law Board (CLB) striking down the takeover, and Chandra going in appeal to the Delhi High Court, a long legal battle is all that is in store for UNI.

After piecing together the events that have overtaken this sleepy but once powerful news agency, it seems Chandra made an impulse buy. He snapped up the collective stake of several newspaper groups for Rs 60 crore, giving his investment company Media West a controlling stake. Few know that the deal was put together by Swadeshi Jagran Manch leader and corporate arbitrator S.Gurumurthy. "None of the newspapers wanted to put the money in. They asked me to intervene. I brought in Subhash, and we said we won't change the nature of the organisation," he said.



A consortium of media organisations cobbling together a bail-out package may be the only solution

Before the takeover, eight newspaper groups together held around 60 per cent of the agency while several state governments and the central government had the remaining 40 per cent. Set up as a trust in 1959, UNI has been a losing proposition for some time as an increasing number of news organisations cancelled their subscriptions. When Chandra stepped in, it is believed to have accumulated losses close to Rs 25 crore. When some newspaper groups sold their stake to Chandra, others viewed this as an anti-trust move and the creation of a monopoly. The union said it would fight the 'media baron' and some even suggested that he was after the real estate.

Eighteen months after the Media West takeover, the CLB has upheld the contention of the petitioner newspaper groups — ABP Pvt. Ltd. (publishers of *Businessworld*), Kasturi and Sons, Printers (Mysore) Ltd and Manipal Media Network — and has unseated Chandra's nominees from the board. "...There has never been a single majority in the nearly 40 years of UNI's existence and therefore creation of an absolute majority now is definitely a deviation from the long-standing practice," the CLB has held. "Therefore, the shareholders can legitimately voice a grievance of oppression," the CLB order concluded.

On the back foot, Chandra rushed to the Delhi High Court against the order and obtained an interim stay. His directors can continue to function but will have no voting powers. The High Court has also advised the parties to work out an out-of-court settlement. Corporate watchers have, meanwhile, questioned CLB's interference in the board decision of a Section 25 company, while an official Essel Group spokesman said, "Subhash Chandra will fight it out. He was expecting this kind of opposition."

Behind the bluster, other events are unfolding. Chandra is not inclined for an expensive and depleting fight and wants a way out. N. Ram, chairman of *The Hindu* said the Essel Group chairman had contacted him exploring a settlement. Ram said he was not averse to brokering an arrangement that would allow Chandra to cut his losses, reclaim part of his investments and exit. Gurumurthy too is likely to play a role in the 'disengagement', though he says he had not yet been approached.

This brings UNI back to where it started from. In the doldrums. Its biggest hit was when the country's biggest media company, the Times Group, stopped subscribing to the service a few years ago. The next big body blow was when the *The Hindu* too suspended UNI's service after Chandra stepped in. Subscription from newspaper chains is its basic revenue source, and with newspaper and news groups opting for a single news agency — usually PTI — survival options are very few.

The Delhi High Court has asked the stakeholders to find a way out of the impasse. There are the jobs of a 1,000 employees at stake, too. The CLB order has recognised that the news agency is in financial distress and has asked the petitioner newspaper groups to bring in the funds to revive UNI. It is not known whether this will be the future course, but if Chandra or a single investor pushing a rehab package is not welcome, then a consortium of media organisations cobbling together a bail-out package is the only course.

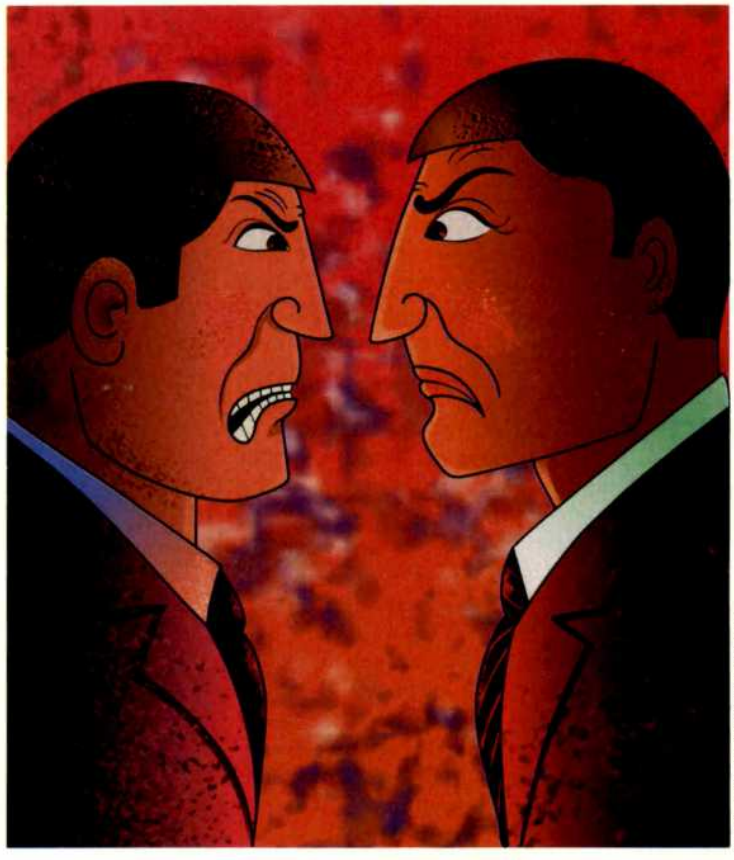
Beyond this, a revival of UNI will have to tackle the problems of an organisation clearly living in the past. It has to transform quickly into a world class news service with multiple revenue options. Otherwise, the rehab packages will be more money down the hatch.

gurbir.singh@abp.in

Nandi Meets Truth

Leadership has a harder job to do than just choose sides. It must bring sides together.
— Jesse Jackson

by meera seth



ILLUSTRATIONS: ANTHONY LAWRENCE

NANDIKESH SYAL REPLAYED THE EXCHANGES IN HIS head. At one end was Victor Purushottam, his Operations head, who stood for the voice of the people of Kohl India. Then there was Rishabh Raj, his HR head, who was also saying, a leader had the right to do all such acts as were necessary to ensure a successful organisation.

And there was his own heart, conscience, inner voice, which said, 'What is right?'

Nandi, as everyone called him, decided to witness his argumentative mind as it parried the intellect smartly...and through the ensuing din, a lone voice inside tried to say, 'Who is he that leads and who is he that worships?'

The din, as mentioned, was, in fact, quite loud so that Nandi missed the syntax of the small voice. Soon, he lost the reception of the small voice too. Because, right before his eyes, a small crisis was brewing and the production studio was having a huge wordy duel. It turned out that Velcap India, Kohl's newest big bucks client, was sponsoring a benefit match at Wankhede Stadium and wanted made 1,000 volunteer badges in two days. None of the regular suppliers agreed to take on the job for obvious reasons, but they told Sukrit Verma at Kohl that 'time was too short'. Decoded, it meant, 'Velcap does not pay on time, so...'

Sukrit, in a panic, handed the job to a new supplier, Badge Art Brothers (BAB), but Madhura, his colleague had found out that BAB used children to stitch badges. Madhura was up in arms over being associated with BAB. In short, an otherwise amicable team was ripping each other apart over issues, which they were usually in consensus over. Sukrit was yelling, "OK, so he uses child labour. He is not abusing them, he is giving them means to earn bread... this whole nonsense about child labour works in countries that have enough to eat and nothing to do. Heck man, how do you just borrow attitudes out of TV channels and magazines?"

Victor had had enough. This yelling, rude, acerbic style of communication was now becoming a habit at Kohl. Just about everyone was yelling at everyone else. Stepping out he went into the hallway as the yelling continued. Nandi, who had heard it too, decided to distract his mind instead.

Seeing Victor, Sukrit said, "I am not going to concern myself with this nonsense, please Victor! How BAB gets the work done, how many people they bribe, how much electricity they steal, all this is no concern of mine, OK? Damn sorry! I have client, client needs badge, I get badges made. Period. How the heck do I care how BAB earns its money or does its trade!"

Victor said stiffly, "I came here to tell you to keep your voices down and language pleasant." He then turned around to look through the glass to see if Nandi was hearing all this and what he saw cracked him up completely. Nandi was watering his window plants.

Going to his room, Victor asked in a softly angry voice, "Do you see what is going on? Do we take responsibility for what Sukrit thinks today about his duty or do we say — like many would — he is a grown man, free to make his choices? Or do we say, 'this is Kohl, Kohl stands for the following values, we will all follow these values come hell or high water'? Tell me, Nandi! Sukrit, too, has begun to think that we can all dissociate ourselves from the means as long as the ends are met!"

Nandi had never seen Victor talk angry. Never heard that edge in his voice. Kohl was wearing a dark line, quite like what its name suggested. They stared at each other for a bit: one anxious, one agitated. Then Nandi left.

* * * *

Nandi played a rotten game of squash that evening with Iliyas Latif, his partner. Iliyas was the managing director of a white goods company and usually played poorly. Today, he looked at Nandi, a shade amused, and said, "What's with you?"

As they sat on the lawns with their teas, Nandi asked, "Tell me Iliyas, for the leader, how important is his people's perception of him? If a client is unethical, is it sufficient grounds for a company to decline the business, or would you accept the business as long as the agency-client relationship is not unethical?" Naturally, Latif wanted to know more and Nandi told him about the stand-off at Kohl without mentioning the client's name.

Said Latif, "If your people have evidence to substantiate their view, then it would be foolish to further any association, and surely, you don't want to be known as a CEO 'part-owned' by a crook! This can lead to all sorts of repercussions down the line once an exposé begins. However, if your people merely wish to occupy the moral high ground, then my sympathies are with you. In any case, you must hold a meeting between the two sides, to thrash everything out."

Nandi thought briefly, then said, "Iliyas, understand, the world I am dealing with is tough. I need that revenue; as it is I who decided not to advertise for tobacco companies. I have an office that costs me Rs 65 lakh a month. Where will the money come from if I stand on all this? And you know me, *you know me*, Iliyas! I don't indulge in hanky panky..."

Latif nodded, "Of course, the world is tough, but is it tougher than going ahead with a business contract involving your creative team who do not support you emotionally, as they are, perhaps, wary of their reputation? In the ad world, people think of their image and brand value, and hop from one agency to another, you would know that better! If there were absolutely no prospects of picking up business elsewhere, I would concede, as otherwise, the ad agency dies. But, I repeat, the two sides must discuss this openly — in your own selfish interest — in the hope that the client and you, the CEO, starts to clean up your perceived image!"

The perception of people about their leader is very important. Perceptions as to dependability, infallibility, wisdom, justice, fair play, lordship

Nandi didn't feel good. He had hoped Iliyas would understand. But now Iliyas had not only made that staggering remark about 'crooks' — Nandi felt disturbed — but had also taken some pot shots at ad agency people. Suddenly, Nandi became aware of how fragile and vulnerable he was feeling.

Vulnerability led him to add, "Victor says, 'The issue is leadership, not just business management.' But Iliyas, I wonder, is the perception of the people about the MD critical?

"In the past 11 months, Kohl India has become a little battlefield where people are fighting and simmering. Recently, I also happened to meet my son Naman's principal and Fr. Daniel was saying to him, 'Devotion is touching, but it brings pain because faith and devotion are very fragile. And it breaks through the agency of the leader....' It was he who made a very sharp observation about people's perceptions: "The perception of people about their leader is very important; there goes with that title some serious perceptions, which may not be expressed. Perceptions as to dependability, infallibility, wisdom, justice, fair play, lordship. Therefore, when they talk, pay attention ...they just may be telling you where you are failing.'

"And I have been thinking a lot...about the nature and composition of devotion. I thought of Benazir Bhutto being shot and how some aspects of hope died that day — not the hope of people, but some manifestations of hope. Why Bhutto, just two days hence was Saddam Hussein's first death anniversary. Did you see the weeping people? Hope and devotion.

"And I thought about that devotion thing Fr. Daniel said, and now I am trying to piece them all together...I am very confused: What is a leader? They want me to play God? I cannot, please understand. I am a businessman, a film maker. I go to Benaras and shoot the *ghats*, the dead bodies, the floating flowers...and I get paid for that... I cannot be God... suddenly, in two days, I have had a spiritual shock as it were.

"So, I am asking... have I, in any way, failed my people? I didn't think I did... but now, I am getting tired of thinking...."

Nandi did not find his answers. At work, the war raged and simmered. Nothing had changed. But a chance meeting with Mridul Munshi at the airport coffee shop changed something. Mridul had been a summer trainee at Tatas 15

years ago, when Nandi was in Mumbai shooting a film on child labour outside Bombay House. Some strange series of introductions had led to a bonding that lasted many years. Today, Mridul, at 37, was a successful business head in Colossus, an IT services firm in the US.

Mridul said, "What makes you say this is about ethics? All it seems to me is, they are annoyed that Velcap is not paying, Velcap is cheating on rates, Velcap is not respectful... so great, what's new? Most companies have one or all these attributes! There are players like this in all industries — unpopular with customers, suppliers and employees...it looks like regular stuff. Just another badly behaved client. Don't read such a lot into it."

Nandi felt something recalibrating inside his brain. He stared at this young man before him. *Am I old and anxious with age? The new world has a different vision....* Mridul continued, "See, honestly speaking, if I have a bad customer who is behaving good with me, most employees will have no problem.

"Employees have problems only when bad guys behave badly with them. What *you're hearing* is: 'they're bad guys, let's not work for them'; whereas, the unspoken anger is, 'they treated us badly, so, I don't want to work for them'.

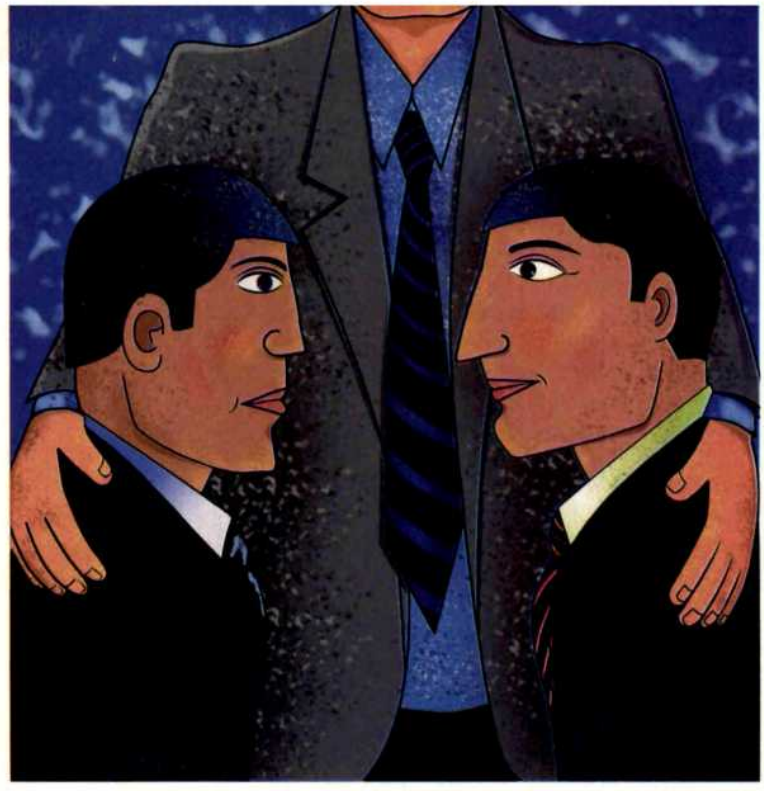
Nobody cares about the colour of money, Nandi...end of the day, people need to get on with their lives. For example, a college will ask for capitation fees. Will you decide not to send Naman to college? We have corrupt ministers...do you stop living in India? So, don't let employees talk like Gandhi. I know non-payment ire. I have seen how vendors react. They barge into the CFO's room, give him *gaalis* saying, *tum apni* company *hamare paise se chalate ho*...so, I can identify with your staff's anger.

"Understand, this is NOT about Velcap's unethical business dealings; It is about 'you can't respect me? Then, I can't work for you'.

Nandi drew closer across the table and squinted. "Can you elaborate? I'm not sure if what I am hearing is what you are saying..."

Mridul reassured him with a wave of his hand and said, "OK, let me give you an example. There is a company — let's call it Rax — a $300-million company. What is it? It is a large porn site. The company I work for has a contract with Rax. In fact, Rax is my client." Nandi's jaw dropped, "Are you kidding me?"

Mridul was poker faced, "See what I mean? OK, it might come to you as a surprise, but some of the key advances in internet technologies have been driven by demands of the porn industry; It is a thriving industry, has technological needs and sustains its huge global clientele through technology...see, porn site users need to see a lot of images, at high speed, and the huge traffic 24/7 throws interesting challenges technically, when traffic crosses a certain limit.



People need to get on with their lives, Nandi. The college you will send your son to will ask for capitation fees. Will you decide not to send him to college? Don't let employees talk like Gandhi

"So, what am I saying? Rax is one of my serious clients. No one would like to be associated with porn business as a vendor, but I am sure apart from us, they have other hundreds of vendors who work for them." Nandi felt uncomfortable talking with Mridul who only a little while ago had shown promise. Yet, he asked, "Heck... but then, how do you deal with this?"

Mridul replied, "Our work involves us working behind the scenes with the programming and the traffic management. Now, Rax's business has been set up by some very differently-minded people who have a huge stake in gambling sites, too. So, we are talking about some extraordinary human beings, who make their millions in internet porn.

"Now, when the company asked us to work for them, I had to do some serious thinking. It was, trust me, good technical work, good rates, very challenging work. Some of the technical innovations and thinking we did, was pathbreaking, the kind of experience you cannot get easily even for a price. Let's say, our software chaps made multiple leaps on the growth curve.

"During some new business presentations, I mentioned Rax to our prospects. Because I did need to showcase our prowess in certain visual categories and because the kind of work Rax asked us to do was very good technically.

"I realised that customers were frowning when I revealed this. Some were uncomfortable; some judgemental; some were, of course,

plain horrified. Worse, word got around and some prospects got uncomfortable working with us! It was not good for our image...

"So, I stopped telling the world. Of course, fact remains, Rax paid well, on time, gave us lots of work and work had a lot of learning potential that we could use for further work. So, I don't feel bad about working for them! Besides, I got to learn some aspects of technology that may not have come to me easily."

Nandi was amazed. He had no words. Could it be that Mridul's standpoint was the right one? Had Victor been overreacting? Of course! Now when he looked back, it did seem like that! Surely, if Velcap had paid all the bills, been courteous and respectful towards Kohl's managers, been prompt in signing off campaigns...his staff would not have become belligerent. Is *Mridul right?* Nandi groaned.

Presently, Mridul was saying, "On the other hand...if Rax had behaved badly with me, it would have only endorsed for me that people in dirty business are dirty all the way. See? So when you tell me about Kohl and Velcap, I understand. If Velcap paid on time and fully, you would not have left your consciousness to dwell on their ethics. Why, their bad business practices would not even show up!

"I am 16 years younger than you, Nandi...you might even be tempted to say 'the young are weird'. But this is about something else. My world has, and will have, a lot of porn and gambling and mafia and drug-doing and stuff. I have to cut my path around them, survive and let them survive too, and maybe if push comes to shove, then even enable them to survive as long as my growth is not hindered or mauled. What the heck do I care if Rax sells porno or potato chips? How does a potato chips company become more noble a business to work with?"

Nandi goggled. "Maybe we are carrying this a bit too far," he said to Mridul. "Wouldn't we care what kind of people we work with? Wouldn't we care what kind of source our bread comes from? Would I take on a porno site as client? *No!* Am I passing judgement on pornography? Not at all. But I am saying this: as a leader, as someone who my staff look up to, I need to adopt certain practices that are commensurate with leadership, *whether or not I subscribe to it wholly!* 'There goes with that title some serious perceptions which may not be expressed. Perceptions as to dependability, infallibility, wisdom, justice, fair play, lordship. These are reasons why you got elected, and these are reasons why they look up to you...' remember?

"So yes, if Velcap was a company in a business, like, say, spurious drugs or porno that is decried by a greater part of the population, then that viewpoint should be sustained and I should, therefore, not work with Velcap. But fortunately, the question over Velcap is about the general reputation and not the particulars of its business...."

The difference between what the client wants from me and what they do with what I give them accrues to the client. A carpenter's job is to build that cupboard, not to worry about what they keep in it

Mridul said, "My company, Colossus, is a respected firm in IT services...the best came to work for us, and the best asked us to work for them.... Post Rax, Colossus lost four huge accounts — despite this being America. I, too, tried to draw a difference between the generals and the particulars of Rax's business. I know it does not make sense. Our role in Rax was not in the operations, but in the technology. Not in the product, but in the design and logistics. But it bothered our customers. They were unable to express it as such. Instead, they superimposed other seeming anxieties such as precision of our solutions engineering, such as our seeming lack of proactive thinking... *That is Kohl's affliction too.* That is, as far as people management and relationships management goes.

As for business, I see that as *my business* — and its focus and direction has to come from me 100 per cent. I don't let others opine.

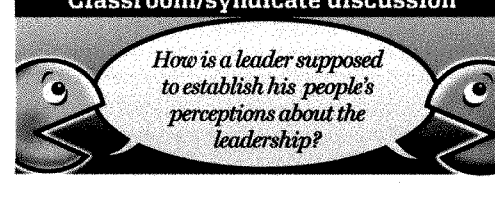
"I stopped discussing Rax with other clients because it was engaging me in dialogues I do not wish to dialogue on. Rax did not come to me to engage in criminal acts. The difference between what they want from me and what they do with what I give them accrues to them, not to me. A carpenter's job is to build that cupboard. If the customer keeps dirty shoes in it or his antiques...why should it matter to the carpenter? This is how I see my professional conduct. If it's any comfort, let me say this: when our contract with them expires, I will canvas for renewal. Why? Rax is a good client. Their business is unique; many of us do not have use for their product; but they are good clients to deal with.

"I remember one person from R&D saying that left to him, he would not bid for this account; but he participated in all the discussions, got excited about the technology and did whatever he could, because the people we dealt with were all so nice and knowledgeable and the work they were doing was great!

"Bottom line, a leader needs to steer clear of perceptions...!"

casestudymeera@gmail.com

Classroom/syndicate discussion



kolkata's fastest growing
friends' circle...

91.9fm
friends
bondhu...tomaar jonyo

Kolkata's fastest growing FM station as per ILT Wave 4

BATES DAVID ENTERPRISE 2523

Leadership Perceptions

Clarifying organisational values is one of the principal tasks of leadership

LIFE IS ABOUT CHOICES. YOU CAN WORK FOR A PORN site or be a pimp, but issues of perception require you to pay attention to legal frameworks as well as social norms. Finally, choices are about values.

Differences in values need to be respected in a liberal social arrangement. In this case, part of the problem seems to be around value confusion. Do Victor and Velvet employees stand at one end of the value continuum, and Nandi, Rishab and Sukrit at the other? Or is expedient decision-making resulting in value confusion? Nandi can give up a tobacco account but work for Velcap? It would take a confrontation from Victor to make him reflect upon Sukrit's actions. But the real point is made by Victor who beseeches Nandi to hold on to Kohl's values: "this is Kohl, Kohl stands for the following values, we will all follow these values come hell or high water".

Clarifying organisational values is one of the principal tasks of leadership. This, Nandi does not do. Once the values are stated, behaviours of members not in alignment with these are discouraged. Values are the beacon that guides the organisation and its choice of actions including what businesses it should or should not be in or who it should or should not partner with. People's perception of leadership depends on this more than any other factor.

This leads us to another important element of leadership perception, something Nandi does not demonstrate — establishing direction. People need to know where they are going and what's in it for them.

Leadership is about envisioning a future and bringing about changes that are often painful for followers. "Although leadership demands a deep understanding of the pain of change... it also requires the ability to hold steady and maintain the tension.... A leader has to have the emotional capacity to tolerate uncertainty, frustration and pain. He has to be able to raise tough questions without getting too anxious himself. Employees, as well as colleagues and customers, will carefully observe verbal and non-verbal cues to a leader's ability to hold steady. He needs to communicate confidence that he and they can tackle the tasks ahead." (The Work of Leadership — Ronald A. Heifetz & Donald L. Laurie in HBR — On Leadership.)

Many leaders reach positions of leadership through a record of successful problem solving that gives them a sense of considerable self-importance. They love the limelight. Collaborating, creating teamwork and listening to subordinates are not significant to them because these did not bring them to this position in the first place.

Denial of emotions, being always right and desiring absolute compliance is what they want. Followers also pay attention to the human-ness of those who lead them. Leaders who are emotionally intelligent, self and socially aware and show the courage to share their vulnerabilities leave a significant mark and positive perception among their followers. They create connections by appearing as 'one like us'.

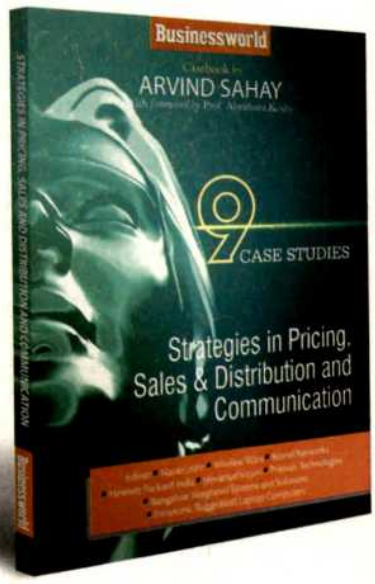
In essence, when people talk about leadership, they are talking about the behaviours of people. Leaders can create perceptions significantly by demonstrating those behaviours and speaking a language that vibes with the people they lead. They need to mobilise their higher order needs that go beyond transactions and appeal to a larger purpose and often, unarticulated needs of their people. Perceptions of leadership are also determined by the empathy and understanding that leaders demonstrate for fellow workers and the relationship of their individual goals to the group's aim.

In the final analysis, a formal leader's task is pretty complex. They have to manage and balance the interests of various constituents and stakeholders, some of which interests might, in fact, be competing and conflicting: employees may want more money; shareholders more profit. Therefore, whose perceptions do they manage, and how? The answer is not simple. However, understanding various stakeholder interests, aligning them with organisational solutions and the appropriate communication and, where required, readjusting them in the direction of greater realism are some of the actions possible.

Leaders who are at ease with themselves and their emotions are more likely to create positive perceptions. The 'erotic', the 'obsessive' and the 'narcissistic' leaders (as Freud classified the personality types), each have their downsides (as they have their positives) as do the 'marketing personality' type of Eric Fromm. But it is holding things in balance that may allow for a meaningful mix of the positives and negatives as, indeed, a lesser preoccupation with managing perceptions. After all, one of the central concerns of managing perceptions is authenticity!

The writer is an Organisational and HR consultant. He operates out of Gurgaon.

Three Marketing subjects. Nine case studies. One powerful book.



By Prof. Arvind Sahay

- 9 insightful case studies from the IT Industry on strategies in pricing, sales & distribution and communication
- Authored by Prof. Arvind Sahay, IIM Ahmedabad
- Foreword by Prof. Abraham Koshy, IIM Ahmedabad

Price: Rs. 250/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order of "Strategies in Pricing, Sales & Distribution and Communication", fill this form & mail it to us:

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 250/- ☐ 5 copies for Rs. 1125/- (10% bulk discount)

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.)**: _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

Morality In Leadership

Vedanta philosophy says, leadership is the top rung in any hierarchy

NANDIKESH SYAL,CEO OF KOHL INDIA, IS HUNTING for the right leadership model. He discovers three types of leaders run businesses: *moral, amoral or immoral.* Victor Purushottam, his operations director and co founder of Kohl, and Iliyas Latif, his tennis partner, are moral managers.

With a strong sense of internalised morality, they assume a leadership position when ethical dilemmas arise and work for enlightened self-interest. Moral leaders work well above what law mandates — upholding the spirit and not just its letter. Profitability is within the confines of law and universal ethical precepts like fairness, justice, and stakeholder welfare. They naturally advise conflicted Nandikesh to stop working for big budget exploitative Velcap, and minimise misuse of human capital at Kohl.

Mridul Munshi, the young business head of Colossus, a US IT giant, and Sukrit the HR manager at Kohl are *amoral* managers. They are well-intentioned, but selfish — without regard for stakeholder interest. The central question while making profits is letter, and not the spirit of law and ethics. They goad Nandi to do what he considers best, since perceptions of stakeholders are not important. Sukrit comes from an outmoded model of management that treats human beings as a resource to be used and exploited. Mridul Munshi is out of sync with the new business credo of transparency and corporate social responsiveness — that brings organisations close to communities and makes them socially, politically and economically responsive.

It is noteworthy that Munshi, himself, avoids telling his stakeholders about Rax — his "serious" client, which is a large pornography site, fearing disclosure will bring him ill repute. One wonders why, then, he advises Nandi to ignore perceptions of his people. Leaders epitomise status, power and success and are highly visible. People's perceptions about them are crucial. They are role models others emulate and, thus, have to be careful about the messages they send. This responsibility a leader must own, whether he likes it or not. Lord Ram, too, had to forsake his beloved wife Sita because of this responsibility.

Depending on trajectories, with time, *amoral* managers become either *moral or immoral* leaders.My guess is, Mridul will seriously question the business of Rax if he finds his young child addicted to pornography, or worse, victim of paedophilia.

He may discern then: violence (himsa) to the psyche, caused by pornography is far greater than that caused by chips (his comment "how does a potato chips company become more noble a business to work with?")

Finally, who is immoral? Prima facie, it is three organisations in the case — Velcap, Rax and BAB. Velcap is violating the normative code of ethics like fairness and decency in business practices. Rax's products and services (pornography) feed the sector associated with drugs, mafia and paedophilia, which society considers immoral; and BAB, employs child labour, which is legally prohibited. All three companies are doing this to increase profits.

Nandi's conscience is still intact. Thus, Father Daniel's (his son's school principal) exhortation about dependability, infallibility, wisdom, justice, and fair play and lordships, being the calling of a leader, continue to nag him. He also squirms when Mridul tells him that Rax, a large porno site, is his "serious customer". Perceptions of his people also matter to Nandi as he wants to be "worthy of worship and devotion". But the need for big money is gnawing his conscience and making him act like a mercenary — show me the money and I work for you. The leadership at Kohl is becoming *amoral*: reinforcing Velcap's bad business ethics; outsourcing to BAB, and violating the spirit of child labour laws; and being uncaring towards its human capital.

The debate, whether heads of commercial organisations are leaders or not, is redundant. Vedanta philosophy says, leadership is the top rung in any hierarchy — a divine dispensation. Leaders must display extraordinary conduct that combines the creative, the productive, the benevolent and the destructive (like the trinity of Brahma-Vishnu-Mahesh). All leadership actions must fulfill three criteria. First, actions should enable and not reduce the good qualities of any one (uphold dharma by practising ahimsa). Second, actions should benefit the largest possible denominator — *loksangrah.*

Finally, actions should not be vested and short-term (preyas); but are for shared long-term benefit (shreyas). This will ensure mutual benefit — *parasparam bhavayantah sreyas* (Gita , III. 11). Nandi need not fear — if he follows the scriptural guidelines of leadership he, and all others, will prosper.

The author is an associate professor at Faculty of Management Studies, Delhi. She has published and researched extensively on Vedanta philosophy

DO YOU HAVE IT IN YOU TO **BE THE CHANGE** AND **JOIN THE NOBLE LAUREATES FEATURED HERE**

Calling people who believe it's better to light a candle than curse the darkness to fight apathy and become a Karmaveer Awardee

The **2nd Annual Right every Wrong Conclave** was organized by iCONGO-Confederation of NGOs on 25th and 26th November 2007 around the theme: "Climate Change: Preparing India to Face Emerging Challenges". Taking up one of the most pressing issues of the day, the Conclave brought together various eminent Global and Indian Citizens and Thought Leaders to provide a suitable platform for output-oriented discussion. The 2-Day Conclave resulted not only in a detailed and coherent explanation of the causes and consequences of climate change, but also saw many ideas and opinions on effective measures to combat it, with special reference to India's role in the global issue.

For a detailed report including keynote speeches and presentations, please log on to **Dishoooom.com**

The Second **Karmaveer Puraskaar** Awards Ceremony was held on November 26, National Social Justice and Citizen Action Day. The Karmaveer Puraskaar are the National Social Justice and Citizen Action Awards instituted by people through iCONGO- Confederation of NGOs, which is the people's sector. We believe that it is the people who drive responsibility and lead change in any sector, and with the Karmaveer Puraskaar, the people of India recognised and felicitated individual **citizens** who believe in being the change and have the courage of conviction and compassion to lead and become the change and believe that they can try and RIGHT every WRONG as an individual and as ONE people.

These are the Karmaveers, the Noble Laureates, who practice 'Philanthropy for Social Justice'.

If you feel that YOU or someone you know fit the description above and deserve to be a Noble Laureate, log on to **Dishoooom.com** for details, application and nomination.

"It is Better to Light a Candle than to Curse the Darkness"

The REW Conclave and Karmaveer Puraskaar will be telecast on NDTV Profit on 9th & 10th Feb.
9th feb : 10:30 pm - 11:00 pm
& 10th Feb : 4 pm - 5 pm

Karmaveer Puraskaar Noble Laureates, Nov. 2007

Mr. Arun Maira and Professor Sanjay Deshmukh on behalf of Dr. Swaminathan: Lifetime Achievement KVP

Mr. Bobby Sista and Ms. Sushma Veer: Artistes for Change KVP

Mr. Bobby Sista and Baby Benzy: Kids for Change KVP

Ms. Amala Akkineni, Mr. Bobby Sista, Mr. Rahul Bose and Mr. Rajendra Raina: Artistes for Change KVP

Mr. Abhishek Bharadwaj and Mrs. Marcella D'souza: Young Social Entrepreneur KVP

KARMAVEER PURASKAAR NOBLE LAUREATES, NOVEMBER 26, 2007

Lifetime Achievement Karmaveer Puraskaar
Dr. M.S. Swaminathan

Lifelong Fight for Social Justice and Action Karmaveer Puraskaar
Dr. Leo Rebello & Mr. Alyque Padamsee

Global Indian Karmaveer Puraskaar
Mr. Pavan Sukhdev

Civil Society Citizen Karmaveer Puraskaar
Mr. Nanda Rana, Dr. Latika Rana & Mrs. Shanti Raghavan

Professional Citizen Karmaveer Puraskaar
Mr. Raj Bhandare

iCONGO-Deakin University Student Citizen Karmaveer Puraskaar
Ms. Ishita Chaudhry

iCONGO-Business World Corporate Citizen in CSR Karmaveer Puraskaar
Mrs. Mamta Saikia

iCONGO-Business World Corporate Citizen in IT Karmaveer Puraskaar
Mr. Sridhar Reddy

iCONGO- Tehelka- CMS Media Citizen Karmaveer Puraskaar
Ms. Revathy & Mr. Altaf Ahmad

Artiste for Change Karmaveer Puraskaar
Mr. Rahul Bose, Mr. Remo Fernandes & Ms. Sushma Veer

Kids for Change Karmaveer Puraskaar
Ms. Baby Benzy & Mr. Akhil Akkineni

iCONGO-Exchange 4 Media Young Creative Citizen Karmaveer Puraskaar
Mr. Ankur Garg & Mr. Vivek Kumar Singh

Sportspeople for Change Karmaveer Puraskaar
Mr. Gopichand Pullela, Mr. Mahesh & Ms. Shivetha Bhupathi

Young Social Entrepreneur Karmaveer Puraskaar
Mr. Abhishek Bharadwaj

The Karmaveer Puraskaar are by the People Sector for the People, and as a tradition, would always be given by the People, Past Awardees and the Communities themselves

NOBLE LAUREATES 2006

Lifetime Achievement Award for creating real wealth for the community
Dr. Verghese Kurien

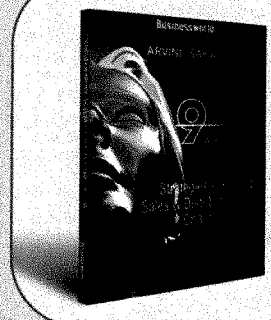
Recognition for promoting social responsibility
Government
Mr. Harsh Mander
Mr. J. M. Lyngdoh
Corporate
Ms. Anu Aga
Mr. Arun Maira
Real Wealth creators for Empowering Undeserved Communities
Mr. Crispino Lobo & Ms. Marcella D'souza
Mr. Vikram Akula

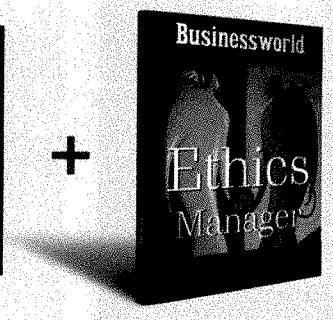
Promoter: iCONGO — www.rightevery wrong.com
Prime Partner: The Rahul & Jeet Khemka Foundation
Citizen NGO Sector Media Portal: dishoooom.com

Online Empowerment Partner: Grassroots Governance affairs
Co-Partners: gtz
Creative Strategists: dubbaWorks
Associate & Media Partners: Tehelka, Sanctuary, MERCER, Grant Thornton

PRESENTING

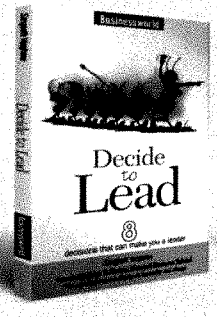
NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.

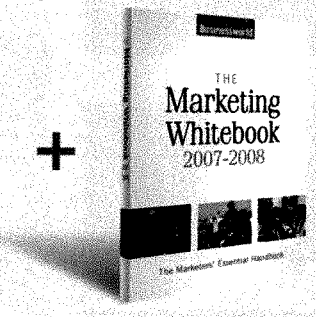




Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-





Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order, fill this form & mail it to us:

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

In case you wish to gift the books, please fill in the following information:

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499/

Cheque No./DD No. **(In favour of ABP Pvt. Ltd.):** _____ Dated: _____ for Rs. _____ or charge the total amoun

of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg New Delhi- 110002, Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147 Email id: businessworldsubscriptions@abpmail.com.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation of the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

FITNESS

Power of Qi

Shaolin master, Shi Yan Zi will teach managers the ways to be sharp in mind and body

GORDON LIU MADE SHAOLIN-STYLE KUNG FU famous with his double somersaults, scissor kicks and angry yelps in *The 36th Chamber of Shaolin*. The truth, however, is that this martial art has slightly kinder origins. According to legend, the Indian monk Bodhidharma, a reincarnation of the Dalai Lama, created exercises that imitated the motions of animals while teaching at the famed Shaolin temple in China. His goal wasn't so much to beat people up as to firm up the bodies of his monks who were being weakened by too much sedentary meditation.

Now, Kanishka Sharma, the first Indian to train at Shaolin, and an employee at Reliance Industries, wants to bring Bodhidharma's teachings back to India. Sharma's teacher, Shi fu (master) Shi Yan Zi, was in India recently to scout for locations to start Shaolin's first school in India. The school will teach not only the temple's celebrated fighting style but also several forms of meditation and medicine.

Shi is a 38th generation warrior monk and an expert of Qi Gong, an ancient Chinese form of healing which was pioneered by Bodhidharma. Qi Gong channelises energy into the body to make it stronger and more productive. "Qi Gong is suitable for everyone, but it's especially useful for businessmen who now spend very little time on their health," says Shi. "It actually slows down the body's ageing process."

Shi is 50 years old, but looks no older than 35. He credits his youthful looks to the 25 years he has dedicated to perfecting his art.

SECRET OF YOUTH: 50-year old Shi Yan Zi from Shaolin teaches Qi Gong — part exercise and part meditation — that slows ageing

SANJAY SAKARIA

LIVING LONG FOR A CAREER: (Right) Chinese Communist Party members learn Qi Gong to live longer and become leaders; (Bottom) Kanishka Sharma will run Shaolin Temple's India unit

But beating wrinkles and age lines are not the only amazing feats achieved by Qi Gong practitioners. Some Qi Gong masters claim to generate a kind of energy known as 'Empty force'. With the flick of a wrist, they can be seen pushing away as many as 10 men. Some move objects merely by placing their hands around them. Others punch three-inch holes in trees with their fingers.

Such demonstrations of power have attracted the attention of the Chinese Communist Party, which would like itself and its leaders to last forever if they could! Several Communist party members are known to be active practitioners of both Qi Gong and its close cousin, Tai Chi in a bid to stay healthy. Today, there is even an official body charged with regulating and popularising Qi Gong. However, some observers say that this organisation serves more to ensure that Qi Gong practitioners don't go overboard with their powers. For example, mass crackdowns against the outlawed Falun Gong group have been justified on the logic that they are working to undermine stability in Chinese society.

In India, Shi plans to run two parallel programmes. One for kids and another for managers. The course for managers could be as short as two weeks with one hour of instruction each day. "After each course, the learners can practise Qi Gong by themselves at home or in the office," says Shi.

Shi claims that Qi Gong gives up to 10 times more benefits than running or pumping iron and is better than taking a vacation. "While vacations help you rest, Qi Gong helps you recharge," he says.

According to Sharma, even the Indian cricketers could become a fit by practising Qi Gong. "If our cricketers practise Qi gong for five minutes in each break, they will hit the field as fresh as they were at the start," he says.

The Qi in Qi Gong loosely translates to something akin to 'energy' or a 'life force'. The main theories behind Qi Gong stem from two books — the *Yi Jing Jin* (muscle/ tendon changing sutra) and *Si Xui Jin* (bone marrow purifying sutra). Bodhidharma, called Damo by the Chinese, is credited with the authorship of these books, albeit some scholars dispute that.

Shaolin's fighting craft and its spiritual prescription is a distilled blend of yoga, Taoism, Confucianism, Zen Buddhism and several martial arts forms. If anything, students have the knowledge that their experience has come from centuries of hard work and careful meditation.

So, get set to put mind over matter the Shaolin way and beat that killer stress with minimal effort. Say Oi to that.

Pierre Mario Fitter

SANJAY SAKARIA

Publicis Ambience/COR/08.01/0228

Do what you want,
not what you can

TOGETHER. FREE YOUR ENERGIES

With over 17,000 employees in India, Capgemini a worldwide leader in consulting, technology and outsourcing services, wants to hire you. In a family of 80,000 employees across 36 countries and revenues of $10 billion, we help you surpass your ambitions by offering you some of the world's most demanding business and technology problems to solve. With access to international careers, opportunities to contribute to global strategies and a flexible work environment that promotes creative ideation, you have a platform for growth.

At Capgemini, we make it a policy to work closely with our clients in partnership to help them find a solution. We call this the Collaborative Business Experience®. And the results show, when both our clients and our employees prosper. So, if you want to work for yourself, come join us.

Visit us at www.in.capgemini.com/careers

Capgemini

CONSULTING.TECHNOLOGY.OUTSOURCING

Entertainment

GRAMMYS SET TO GROOVE

REUTERS

THE GRAMMY AWARDS ceremony on 10 February will turn out to be alright now that the striking Hollywood writers and their actors and musicians supporting them have promised not to picket the event. The globally televised event at the Staples Centre in Los Angeles will feature some of the most outstanding talent in the western popular music.

Live performances will include one by legends such as Little Richard, Jerry Lee Lewis, and John Fogerty in what is billed as the 'Cornerstones of Rock' segment. Other big stars expected to perform live at the event include Beyonce, Rihanna and Mary J. Blige. Amy Winehouse, who is nominated for six awards, may also feature at the show, provided she can get out of rehab in time. Some key nominations are:

Record of the Year (Single):

- Irreplaceable — Beyonce
- The Pretender — Foo Fighters
- Umbrella — Rihanna featuring Jay-Z
- What Goes Around...Comes Around — Justin Timberlake
- Rehab — Amy Winehouse

Album of the Year:

- Echoes, Silence, Patience & Grace — Foo Fighters
- These Days — Vince Gill
- River: The Joni Letters — Herbie Hancock
- Graduation — Kanye West
- Back to Black — Amy Winehouse

REUTERS

ETIQUETTES

Saying it with flowers

THIS VALENTINE'S DAY if words fail you, try saying it with flowers. But be aware. Flowers have a unique vocabulary. For centuries now, floral missives have been sent to communicate a range of emotions, from love and loyalty to indifference and scorn. And over time, each flower has come to be associated with a particular emotion — white roses acknowledge innocence; yellow carnations signal disappointment and variegated tulips let someone know that they have beautiful eyes.

While red roses do an adequate job of communicating romance, a deeper and fiercer love is best expressed by red anthuriums. If it is elegance and refinement that you want to convey, send her a bouquet of the more exotic birds of paradise or orchids.

The more commonly available gladioli symbolise strength of character and sincerity, while the deceptively staid-looking tuberose can signal a penchant for dangerous pleasures. Remember this the next time you eschew these humbler varieties in favour of the more exotic ones. A rarely gifted flower, Jasmine represents sensuality and a desire for attachment.

If it is a clear 'no' you want to convey, send the person in question a bunch of striped carnations.

But if your feelings are confused, let the flowers be for a while and opt for a beautiful house plant instead.

Sumati Nagrath

FLOWERS TALK: Flowers say it better than words. Just learn their secret language

The Adventure Capital: At Queenstown in New Zealand, you can race jet boats, bungee jump, ski, paraglide, and skydive, all at one place.

TRAVEL

Turkish Delight

INDIANS TRAVELLING abroad for holidays are beginning to experiment with exotic destinations. Mediterranean nations, such as Turkey and Egypt, now figure prominently on Indian tourists' itineraries.

This winter, the Turkish city of Istanbul has emerged as one of the favourite destinations of Indians — more than 22,000 Indians tourists visited Turkey last year.

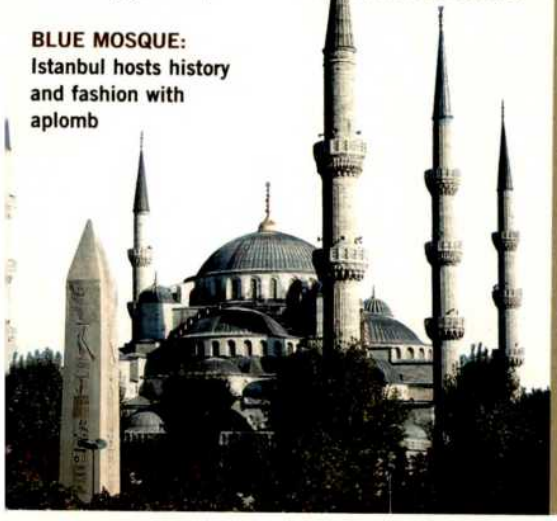
Istanbul is a city like no other in the world — it straddles two continents — Europe and Asia — and is the thriving showpiece of secular lifestyle in a country that is increasingly returning to the fold of Islamists. Young executives accessorised with Burberry jackets, Dior shoes, Gucci handbags rushing to catch the metro are as much a part of the city's takeaways as its historical monuments such as the Blue Mosque or the Church of Hagiya Sophiya.

For those looking to splurge and indulge, Takshim, the city centre, is the place to visit. Kapali Çarsi (Grand Bazaar) is another lively place — a covered market with over 2,000 shops. The city has a beautiful bay where you can relax on cruises and yachts.

Make a day trip to the ancient city of Ephesus, which was founded by the Greeks.

However, Istanbul is pitched as an exclusive destination. Don't mind if you are ignored by other Indians there.

Sanjitha Rao Chaini



BLUE MOSQUE: Istanbul hosts history and fashion with aplomb

BON VIVANT

Watch wise

A LUXURY WATCH IS AN EMOTIONAL INVESTMENT. You do not buy it to be able to tell time, but because you want to feel special. It must reflect who you are. So, before you part with your precious money, you would do well to ask a few cardinal questions.

Is the watch genuine and new?

There are a lot of very high-quality fakes in the market, often made by cannibalising genuine watches. Buy only from authorised dealers and be suspicious of high discounts. Avoid buying luxury brands on the internet — luxe brands do not authorise such sales.

Is it really a luxury watch?

Luxury is about exclusivity. You don't want a watch that is on every other wrist. Rolex is the world's best-selling brand, but it is also more common than, say an IWC, or a Jaeger or a Blancpain. For extreme exclusiveness, go for the limited editions, such as Jaquet Droz in series of 1 (one unique watch in the world), 8, or 88.

What is the history of the brand?

Luxury involves proven sophistication. Bregue sold watches to Emperor Napoleon two centuries ago and has been an innovator; Cartier has been the jeweller to the royalty for centuries; and, Patek has become known for its consistency.

Is the watch movement mechanical?

The quartz movements are mass produced and not acceptable as luxury. Also, check whether the movement is made for the brand or is merely adapted.

What is so special about the watch?

Do the steel blue hands or the hand-engraved dial fascinate you? Retrograde displays and chronographs add a distinctive look. The power reserve function and perpetual calendar takes you into serious watch collectors' territory, and with a tourbillion or minute repeater, you have a genuine heirloom.

Finally, does the watch reflect you?

Are you conservative, are you sporty, are you quirky or are you a bit of all? If you are buying your umpteenth luxury watch, check out the fun collections, such as the Frank Muller Crazy Hours, or the Chopard Happy Diamonds, or the Breguet Tradition (open face) or the Cartier Ballon Bleu.

YASHO SABOO
MD, Kamla Dials & Devices

WATCH IT: Buying a luxury watch is like investing. Do the due diligence before you part with your money

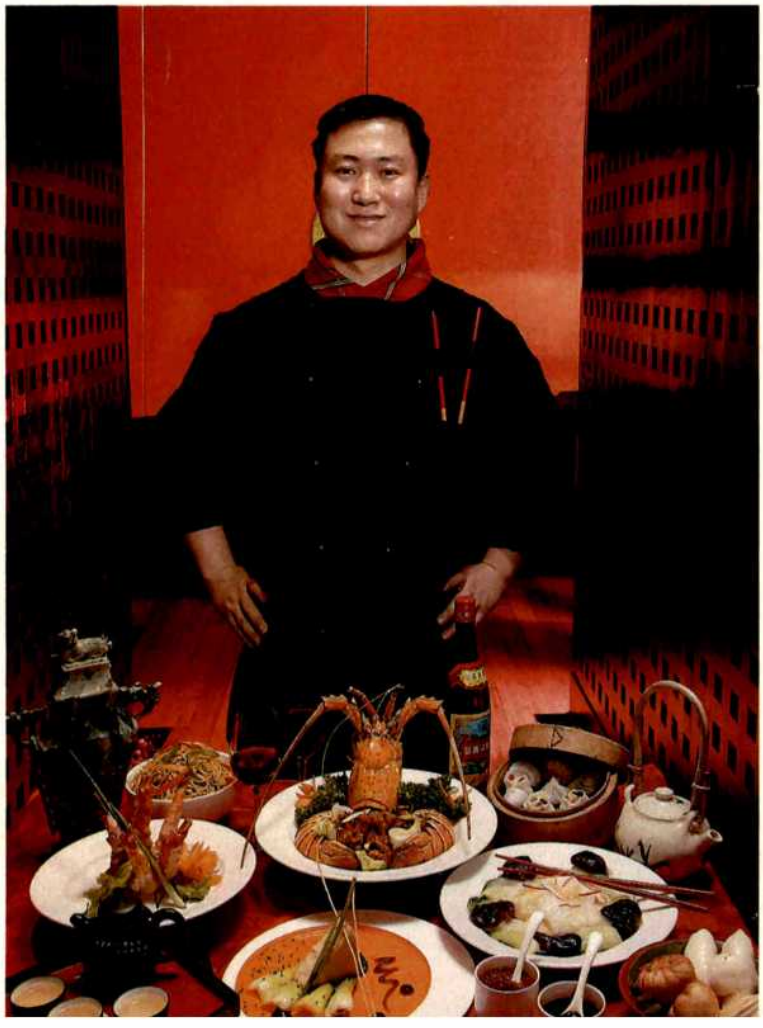
FOOD

Delicious new year

Restaurants are marking Chinese new year with novel dishes

THE START OF THE CHINESE YEAR ATTRACTS A LOT of global attention because of its quaint association with animals. The new one that started on 7 February is dedicated to the Rat. The Chinese zodiac cycle features 12 animals. People born in the year of a particular animal are supposed to share that animal's traits. With all the hype that surrounds the festival, upmarket Chinese restaurants are looking to cash in.

In Delhi, at the Hyatt Regency's China Kitchen, the chefs have prepared a new menu to mark the occasion. Executive Chef Marcus Mathyssek and Hyatt Group Master Chef Jack Ao Yeung have added new dishes such as sticky rice dumplings and grilled bamboo shoots. The adventurous could try a spicy boiled fish, which one has to specially order as it is not on the menu. The delicate fish fillets are cooked in oil flavoured with whole Sichuan and chilli peppers. These two spices combine to give the dish a signature mouth-tingling Sichuanese experience. Fusion desserts (tea-flavoured ice cream and green tea Tiramisu) round off the new menu. Older dishes, such as Sichuan chicken or Peking duck, remain available for the conservatives.



YAN CAN COOK! Master Chef Yan Jun displays his latest creations to celebrate the Chinese New Year

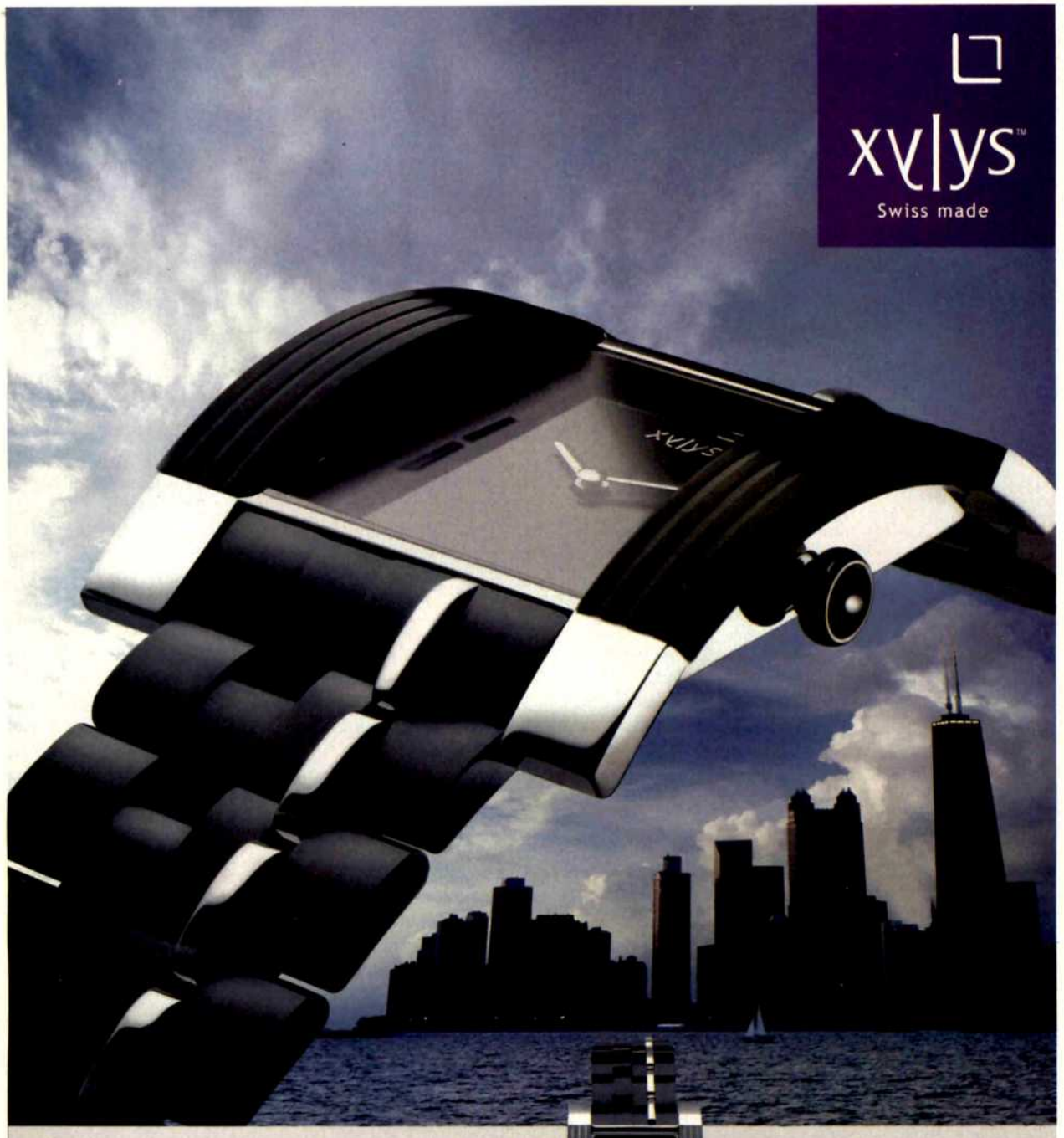
Jade at the Claridges also boasts of a new menu. Exotic dishes such as squirrel fish and sticky rice cakes accompany the standard fare such as grilled tofu and dumplings. Master Chef Yan Jun says that all his basic ingredients — cooking wine (Shao Xing), vinegar (Zhen Jiang), sesame oil, sichuan peppers and black beans — have been imported from China for the New Year celebrations.

In the boom town of Gurgaon, The Monk, is also planning a special celebration. Authentic Chinese meals in the form of bowls of sticky rice with a choice of vegetable and meat toppings are as close as it gets to a home-made Chinese meal.

If you are a Rat person, this is your excuse to celebrate. Don't be offended by your alter-ego in the Chinese zodiac. For the Chinese, typical Rat people — born 12, 24, 48, 60 or 72 years ago — are meticulous, intelligent, compassionate, charismatic and hard-working. A word of caution for your friends though — Rat people can be a bit critical and even vengeful.

The Chinese take their new year celebrations very seriously. Millions of Chinese return to their parent's homes to celebrate; and billions of *jiaozi* or dumplings are prepared and frozen just before the grand feast on New Year's Eve. However, this year's celebrations have been plagued by the worst snowstorm in 50 years in China. Millions have been left stranded. That's probably why not many Chinese chefs in restaurants in India are complaining about having to stay back to mark the celebrations here.

Pierre Mario Fitter



A BRIDGE TO TIME.

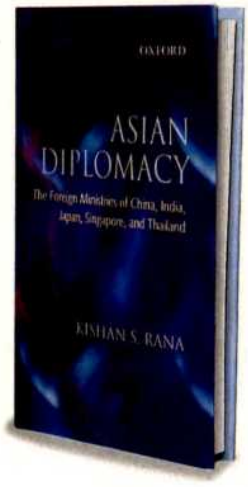
- Eight jewels for smooth functioning
- Sapphire crystal with anti-reflective coating
- Water resistant up to 50 mts
- Swiss movement: Ronda 762

BROUGHT TO YOU BY TITAN INDUSTRIES LIMITED

Available at: WORLD *of* TITAN and select Multi-brand outlets. **Also available at:** lifestyle | SHOPPER'S STOP | CENTRAL

For more information call: 022-26434010 / 022-66932816. Toll free no: 1800-22-4750

BATES DAVID ENTERPRISE/BLR/XYLYS/072



The Diplomatic Arsenal

by ishrat aziz

ASIAN DIPLOMACY THE FOREIGN MINISTRIES OF CHINA, INDIA, JAPAN, SINGAPORE, AND THAILAND BY KISHAN S. RANA OXFORD UNIVERSITY PRESS, PAGES: 245; PRICE: Rs 550

THIS BOOK IS NOT ABOUT FOREIGN POLICY, BUT about the diplomatic apparatus that implements it.

Kishan S. Rana has done pioneering work by documenting the functioning of the foreign service apparatuses of five countries — China, India, Japan, Singapore and Thailand. In the process, he has collected very valuable information about the cadre strength, budgetary allocation, ratio of distribution of posts between headquarters and missions abroad and its implications for the effectiveness of the diplomatic machinery as well as the posting and promotion policies of each country's foreign ministry.

The author primarily collected the information for the book through 160 interviews in five countries, many of which were confidential. The excellent quality of material thus collected is reflected in the book.

Asian Diplomacy is a comprehensive and methodical comparative study of the functioning of the various foreign offices. Pointing out that diplomacy is globalised, the author emphasises that "almost all the foreign Ministries are regrouping themselves and fine tuning their diplomatic machinery to deliver improved performance". Indeed, "adaptation, transformation and reform" is the common thread running through all the chapters.

It is a forward-looking book that visualises the changing role of a country's foreign ministry in the context of the phenomenal increase in interaction taking place between nations in diverse fields, such as transport; communication; tourism and air-travel; trade, foreign direct investment; migration; climate change; tsunami-type natural disasters, etc.

No foreign service can have the expertise on such a variety of subjects as each requires particular specialisation. The central role of the diplomatic service in the new circumstances would have to be what it was created for originally, namely to strengthen bi-lateral relations so that diverse interests can be pursued effectively by other specialised agencies. The role of the foreign service can be foundational, which others can use to build the super structure.

The book points out that increasingly, diplomats have to function in the glare of media publicity and demands for transparency. They have to show results. They have to be clear about their nation's long-term goals in the country and the region where they are posted. They have to present a balance sheet at the end of every year. Everywhere, the concept of cost effectiveness and rewards and resources according to performance and results is catching on, as indeed it should.

The most interesting and original chapters are those which analyse and comment on the negotiating style of each country. They show how in each case, negotiating tactics are affected by the culture and traditions of the people of each country.

Rana also, very presciently, comments on the need for the foreign Policy apparatus to deal with NGOs and pressure groups, both domestic and foreign. These groups are becoming increasingly vocal and powerful and need to be engaged with sensitivity and finesse.

Though it is a book on the foreign service apparatus, it has some very thought-provoking insights about the emerging political scenarios in Asia in the concluding chapter.

In April 2007, the Ministry of External Affairs announced, what may turn out to be the biggest change ever undertaken in the department, namely the doubling of diplomatic personnel in the next five years. As the ministry and administrative division implement this

KISHAN S. RANA spent more than three decades in the Indian Foreign Service and served as the Indian Ambassador to Germany. He is also Professor Emeritus Foreign Service Institute, New Delhi; Archives By-Fellow, Churchill College, Cambridge; Public Policy Scholar, Woodrow Wilson Center, Washington DC. He has authored several other books, including *Inside Diplomacy*.

BROWSING
Rajiv Deep Bajaj
Managing Director, Bajaj Capital

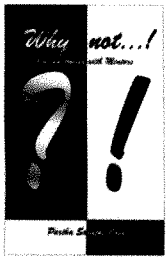
I am reading The Three Tensions by DOMINIC DODD and KEN FAVARO. It talks about the constant choices managers have to make in business — growth vs profitability, long-term vs short-term objectives and whole vs parts. It busts the myth about choosing one over the other and says, all objectives can be pursued simultaneously. I read fact-based books. My reading list comprises classics on management and investments such as Execution by RAM CHARAN and LARRY BOSSIDY.

restructuring of the headquarters and missions aboard, they will find that merely increasing the strength is the easier part. The more difficult part is the rationalisation to achieve increase in per capita productivity and improvement in quality of performance by strengthening the morale of officers and staff through a just and transparent system of functioning.

As the ministry proceeds with the re-structuring, it will find this book a valuable source of information, observations and perceptions. They will also learn how foreign policy apparatuses of other countries are dealing with similar problems because while we may have different foreign policies, our administrative challenges are the same.

Ishrat Aziz is a former diplomat and president of the Association of Indian Diplomats

SELECTION 1



The Runway To Success

WHY NOT...! RACING AHEAD WITH MENTORS
BY PARTHA SARATHI BASU
UBSPD,
PAGES: 175, PRICE: RS 175

AT FIRST GLANCE, THE TITLE OF THE BOOK SEEMS deceptive. SpiceJet CFO Partha Sarathi Basu's debut novel WHY NOT...! RACING AHEAD WITH MENTORS sounds like one of those self-help books written by management gurus. Flip through, and you will find the story of Rehaan Sinha, a hardworking, young management graduate.

The book delves into Rehaan's climb from a non-descript worker to becoming the CEO of a company.

Rehaan meets several mentors in the course of his career who share their experiences and thoughts with him. For instance, Sundar, his superior at the firm where he first worked, is fond of Rehaan and has lengthy sessions on career focus and decisions he ought to take. Then there is Puneet, his childhood friend, who coaxes him to get back into shape, and, of course, the ever-pervasive 'Chief', Rehaan's alter ego, who is there to chat whenever Rehaan needs him.

Despite the presence of mentors all along his career, nowhere in the book does the protagonist seem like he doesn't have a mind of his own. Rehaan's views at the end of each chapter show how best he has absorbed his mentors' words of wisdom.

Peppered with quotes from almost all famous thinkers, Basu's message in this book is very clear — if you fail to plan, you plan to fail, as one of Rehaan's mentors says.

Why Not could have easily been one of those inconsequential leadership books. But by plotting it around the life of Rehaan, Basu has shown not all management related books are monotonous. For this reason alone, the publishers may perhaps be pardoned for all the editing errors.

—Sanjitha Rao Chaini

SELECTION 2

A Spiritual Overdose

HMM... WELL... THE BOOK THE FAKIR by Ruzbeh N. Bharucha falls into the spiritualism promotion literature category, the sort of stuff Osho's disciples have dished out for years. This one is dedicated to "Sai Baba of Shirdi, all the Perfect Masters and the Universal Mother".

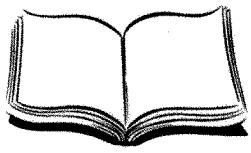
Thinly disguised as a novel, it is a didactic treatise on fundas to live by. More accurately, it is about coping with being a loser. The story — miraculously, a semblance of it survives the extended introspections and sermons — revolves around the musings of a wandering protagonist and his interactions with a *fakir*, who looks like the Sai Baba of Shirdi.

The protagonist is a broken man — thrown out by his wife for infidelity, separated from his children as a result, and sick with a disease that is going to kill him.With such depressing credentials, he is out looking for spiritual solace from the *babas* and gurus. Still, the prose is remarkably lucid in places despite the frequent brakes for pontification. The wit and vocabulary of the book belong to a westernised urbanite with overgrown angst. There is also a fair sprinkling of India-trashing to do a returning NRI proud.

Curiously, the author does not trust the reader to spot the *gyan*, and ensures that his wisdom is noted by providing blurbs throughout the book. It is probably a hangover from the author's days as a sub-editor with *Dalal Street Journal* and a few other Mumbai magazines. In fact, Bharucha has also edited magazines on mysticism and the paranormal, *Om Mystic* and *Om Age*.

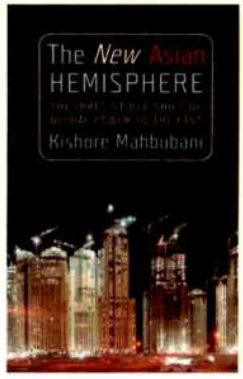
—Feroz Ahmed

ALERT



RIDING THE INDIAN TIGER: UNDERSTANDING INDIA — THE WORLD'S FASTEST GROWING MARKET
BY WILLIAM NOBREGA AND ASHISH SINHA
WILEY AND SONS
With India poised to become the world's fastest-growing economy, William Nobrega and Ashish Sinha have written what they hope will be a "definitive guide" for international as well as national investors and corporations wanting to optimise business opportunities here. They have put together their combined experiences to give a detailed picture of the economic opportunities India has to offer — especially in infrastructure. The book also dedicates a chapter to India's unique business culture.

Book Excerpt



Emergence Of A New Order

THE NEW ASIAN HEMISPHERE
THE IRRESISTIBLE SHIFT OF GLOBAL POWER TO THE EAST
BY KISHORE MAHBUBANI PUBLICAFFAIRS,
PAGES: 314; PRICE: $26.00

INDIA OCCUPIES A SPECIAL PLACE IN THE WESTERN imagination. Both the Chinese and the Islamic civilisations are seen to be strange and distant civilisations in the Western imagination. By contrast, most Westerners think positively about Indian culture and civilisation. This is partly a result of the enormous romanticisation of the British Raj in the Western imagination. The British did a brilliant job portraying themselves as benevolent and civilised rulers of the Indian sub continent. And in some way British rule was, relatively speaking, benevolent.

The positive view of India has led to the expectation that when India finally emerges as a great power, it will join the Western community of nations. As the world's largest democracy India is seen as a natural addition to the Western community. That's a presumptuous Western belief. India will be the third great Asian power to emerge after Japan and China. Japan emerged with the conscious aspiration to join the West. China has no such aspirations. India's future directions are not yet set.

There is something unique about Indian political and social culture; a spirit of inclusiveness and tolerance pervades the Indian spirit. While the West often tries to discuss the world in black and white terms, distinguishing itself from either the evil empire or the axis of evil, the Indian mind is able to see the world in many different colours.

The Indian capacity for engaging other cultures and civilisations may well define India's role in the relations between the West and the East. It could perform one particular task: to convince the leading minds in the West that they should stop seeing themselves as safe guardians and custodians of human civilisation. Convincing the West of this will not be easy. A great educational campaign will be needed to make the West see that it is essentially no different from the East.

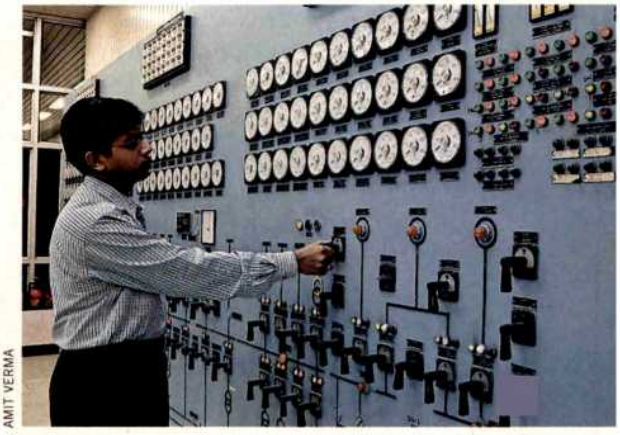
The end result of the powerful processes of de-Westernisation should therefore be the world moving toward a positive destination in which many rich ancient civilisations are reborn, adding to the cultural wealth of the world and unleashing new instincts of cultural tolerance and understanding. The unpeeling of the layers of Western influence from around the globe could well lead us to a happier universe where we will have, for the first time in human history, several different civilisations flourishing at the same time, with simultaneous explosions of knowledge and wisdom.

Claiming Its Rightful Place

....To serve as a true reflection of the world, the veto-bearing members of the UNSC should preferably reflect the great powers of 2045, not

STANDING TALL: As the world's largest democracy, India is seen as a natural addition to the Western community. It will be the third great Asian power after Japan and China

DILEEP PRAKASH


AMIT VERMA

of 1945. This is in many ways the nub of the problem with the UNSC. The current permanent members have taken advantage of the veto to preserve great power status in the UN and to entrench themselves in perpetuity in the Security Council. For the UNSC to remain alive and relevant, it must create a system to allow new great powers to obtain the veto and for old great powers to cede their position graciously. New Asian powers like Japan and India should be given veto rights to reflect their new weight in the international system.

...The UN Security Council is not the only global body that faces the danger of losing its legitimacy because of a deficiency of democratic legitimacy. The IMF and World Bank are in almost exactly the same situation. One of the strangest anomalies of our times is the practice that no Asian can lead either of the two leading global economic institutions. An unwritten but firm understanding since the founding of these institutions after World War II is that the head of IMF should be a Western European and the head of the World Bank an American. Asians (as well as Africans and Latin Americans) are excluded. Any rule that disqualifies 88 per cent of the world's population from leadership of a global economic institution is inherently unsustainable, especially when economic power is steadily shifting towards Asia. Indeed, this rule is an embarrassment to both the IMF and the World Bank.

In theory, the solution should be easy to find, if they adopt the approach taken in the private sector. Organisations that have picked the strongest and most qualified individuals without regard to nationality, race, or creed — that is, the best human rather than the best connected human — have thrived.

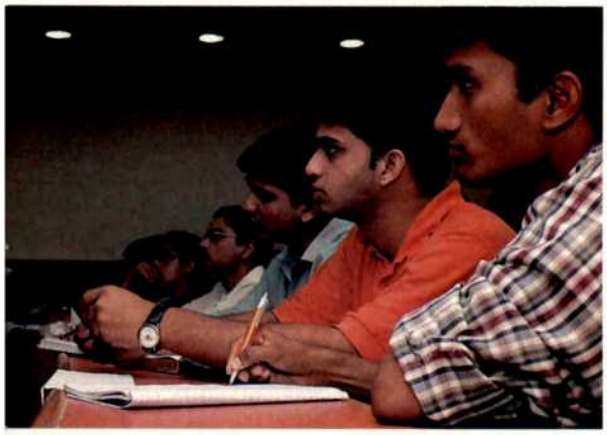
All this would suggest a simple solution: adopt a clear and transparent process for selecting the heads of these organisations in which meritocracy and not nationality is the key consideration. However, certain harsh geopolitical realities will prevent meritocracy from being the key, let alone the sole, consideration in this selection process. Western Europe and to some extent the US are worried about their diminishing role and influence in global affairs. They are likely to fight a rear-guard action to retain their share of global influence.

Controlling the selection of leaders is not the only way North America and Western Europe dominate the IMF and the World Bank. They also dominate the voting power within these two institutions by controlling the allocation of quotas. An Australian Treasury working paper on IMF quotas published in November 2004 noted that whatever measure is used economic weight — GDP at market prices, GDP based on PPP — "a pattern of under representation of China and Japan (and other countries in East Asia) emerges." It then makes a profound observation: "It will be increasingly difficult for the IMF to present itself as a truly international institution if growing parts of the world economy do not have a voice in its governance commensurate with their true economic size."

The time has come for America and Western Europe to ask whether maintaining the status quo in the IMF and the World Bank serves their real national interests. The dilemma they face is a simple one: Do they retain control and, in so doing, allow the legitimacy and credibility (and consequently effectiveness) of the IMF and the World Bank to diminish? Or do they open up the leadership positions and reshuffle voting rights toward emerging countries?

The paradox is that North America and Western Europe together have been more responsible than any other powers in unleashing the forces of globalisation. Now they are reluctant to confront the consequences and allow the principle of democracy to be the determining factor in the governance of key global organisations.

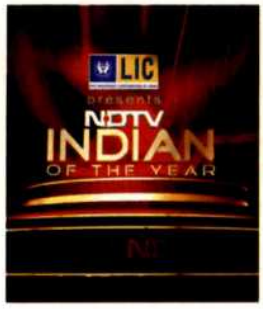
KISHORE MAHBUBANI, is dean and professor in the Practice of Public Policy of the Lee Kuan Yew School of Public Policy at the National University of Singapore. He has had a distinguished diplomatic career and is the author of *Can Asians Think?* and *Beyond the Age of Innocence.* In 2005, *Foreign Policy* magazine included him among the top 100 intellectuals in the world.



DILEEP PRAKASH

DILEEP PRAKASH

NDTV INDIAN OF THE YEAR 2007



Prannoy Roy with Dr. Manmohan Singh

THE INDIAN SOLDIER - Indian of the Year

Jaswant Singh, Barkha Dutt with P. Chidambaram

DR. MANMOHAN SINGH
Indian of the Year - Leader

Raj Nayak, T. S. Vijayan with P. Chidambaram

DR. A.P.J. ABDUL KALAM
Inspirational Leader of the Year

MUKESH AMBANI - Business Person of the Year

Sonia Singh with Barkha Dutt

Shekhar Gupta with Vir Sanghvi

Prannoy Roy with Sachin Pilot

Robert Vadhera with Rajiv Shukla

Tarun Das with Kamal Nath

Karan Johar

SHAHRUKH KHAN- Actor with the most impact on Hindi Cinema

Shobhana Bhartia. Karan Johar with Nita Ambani

RAJNIKANTH - Entertainer of the Year

SNAPSHOTS

Sonia Singh with Shahrukh Khan

K.P SINGH
NDTV Special Award in Business

DR. R.K.PACHAURI
Global Indian of the Year

Nimesh Kampani with Amal Ganguli

Ravi Shankar Prasad, Sreenivasan Jain and Prakash Javadekar

Vikram Kaushik with K.V.L Narayan Rao

A.R.RAHMAN - Musician of the Year

Sundar Swamy with Prasoon Joshi and Sharmila Tagore

Manvi Dhillon with Asim Ghosh

CHAK DE - NDTV Special Award in Film

Raj Nayak with Anuradha Prasad and Vikram Chandra

Nita Ambani with N.K. Singh

Mansur Ali Khan Pataudi with Shilpa Shetty and Piyush Pandey

BAICHUNG BHUTIA - NDTV Special Awards in Sports

Priyanka and Robert Vadhera with Rahul Gandhi.

Mani Shankar Aiyar with Baichung Bhutia

VISHWANATHAN ANAND
Sportsperson of the Year

Smeeta Chakrabarti with Mark Ivan

Abhishek Singhvi with Amar Singh

Satish and Kiran Gujral

Advt.

DRESS CODE
Raul Taylor

In association with
State Bank of India

HP
PAVILION NOTEBOOKS

Print Partner
The Indian EXPRESS
JOURNALISM OF COURAGE

Inspiring Innovators

AN INNOVATION LEADER DRAWS IMITATORS IN HIS wake; others follow in the path he has beaten. Now that the Tata Motors' Nano has demonstrated the possibility, other manuifacturers will no doubt launch small cars in the coming years. Every innovator brings forth a dozen imitators; that is universal. But it must also be recognised that a reason why the Nano has attracted so much attention is that such innovations are all too rare in our country.

KISHORE DAS

The only comparable innovation that comes to mind is the auto-rickshaw. Its innovator is long forgotten. But its impact is still there for all to see. It is the backbone of cheap taxi services in virtually all Indian cities, and in many cities in neighbouring countries. Maybe the Nano or similar cars will replace it one day. There have also been local adaptations of vehicles for use as buses. There is a large potential market for cheap public transport in low-income countries, which will continue to attract new solutions. But transport apart, it is worth asking how India's soil can be made more fertile for innovations.

Patent offices should become accessible, user-friendly repositories of information on all patents ever issued by all countries over the world

As a device for promoting innovations, patents have been around for quite some time now. But in India somehow, they have never taken off. Not more than 10 per cent of patents registered go to inventors in India; and patents taken out in India are themselves a fraction of those taken in the US or EU. An advantage of a patent regime is that it selects and recognises only genuine innovations; a patent office is supposed to eliminate imitations. But because a patent regime requires applications as well as patents to be publicly available, it also disseminates ideas and stimulates innovations.

Across the world, a few corporations take multiple patents. They have made a drill out of innovating; and they have also worked out ways of writing patent descriptions that would make it difficult to innovate around them. Patents they receive can also discourage innovations.

But this effect is passing now. The need to repair soldiers injured on a mass scale in World War II led industrial countries to pour resources into pharmaceutical research. The public investment gave an enormous lead to their pharmaceutical companies that received the funding and produced the medical products. With the muscle acquired in the War, they dominated chemicals and pharmaceuticals for decades. They spread and exploited their inventions across the world. They monopolised their inventions, and prevented new companies from coming up. Treatises came to be written about the transnational corporations.

It was frustration with transnational corporations that led India to abolish product patents in food products, chemicals and pharmaceuticals in the early 1970s. The iconoclastic law made patent-breaking legal; all that chemists had to do was to read up the patents filed with American and European patent offices, replicate the process, make the drugs and sell them. Thousands of little firms of patent-breakers came up; competition amongst them gave India the cheapest medicines in the world. But they were confined to India; they could not sell outside India, where product patents prevailed.

Finally, in the Uruguay round, the industrial countries offered India a carrot and a stick. If it reintroduced product patents, it could have access to their textile markets; or it could keep its patent regime and be kept out of the textile markets. India bit; it took its time, but after tarrying for ten years, it reintroduced product patents. It did not win the textile markets; China captured them. But there was no going back on product patents.

What was forgotten in this fraught history was that patents were originally invented, not so much to prevent the spread of invention, but to encourage it. They were introduced to give free publicity to patentors' inventions, so that others could approach them and buy or license their inventions. They were devised to create a market for inventions.

This is the aspect our patent offices should concentrate on. They should be redesigned as open libraries with easy access for the public; anyone should be able to go and park himself there for hours. They should store not just current national patents, but should aim to make available all the inventions ever patented in any country; not just inventions, but all the patent applications made anywhere in the world. Since the numbers would run into millions, patent offices should devise and employ the world's most advanced search engines. They should make it easy for Indians to discover, for virtually all inventions build on knowledge received.

UPA'S UNFINISH A NDA P.60 MOTORI S MOULA P.64

Businessworld

www.businessworld.in 25 FEBRUARY 2008 SUBSCRIBER COPY NOT FOR RESALE

THE GREAT WAR

How India's most powerful businessmen are battling over the country's most lucrative industry

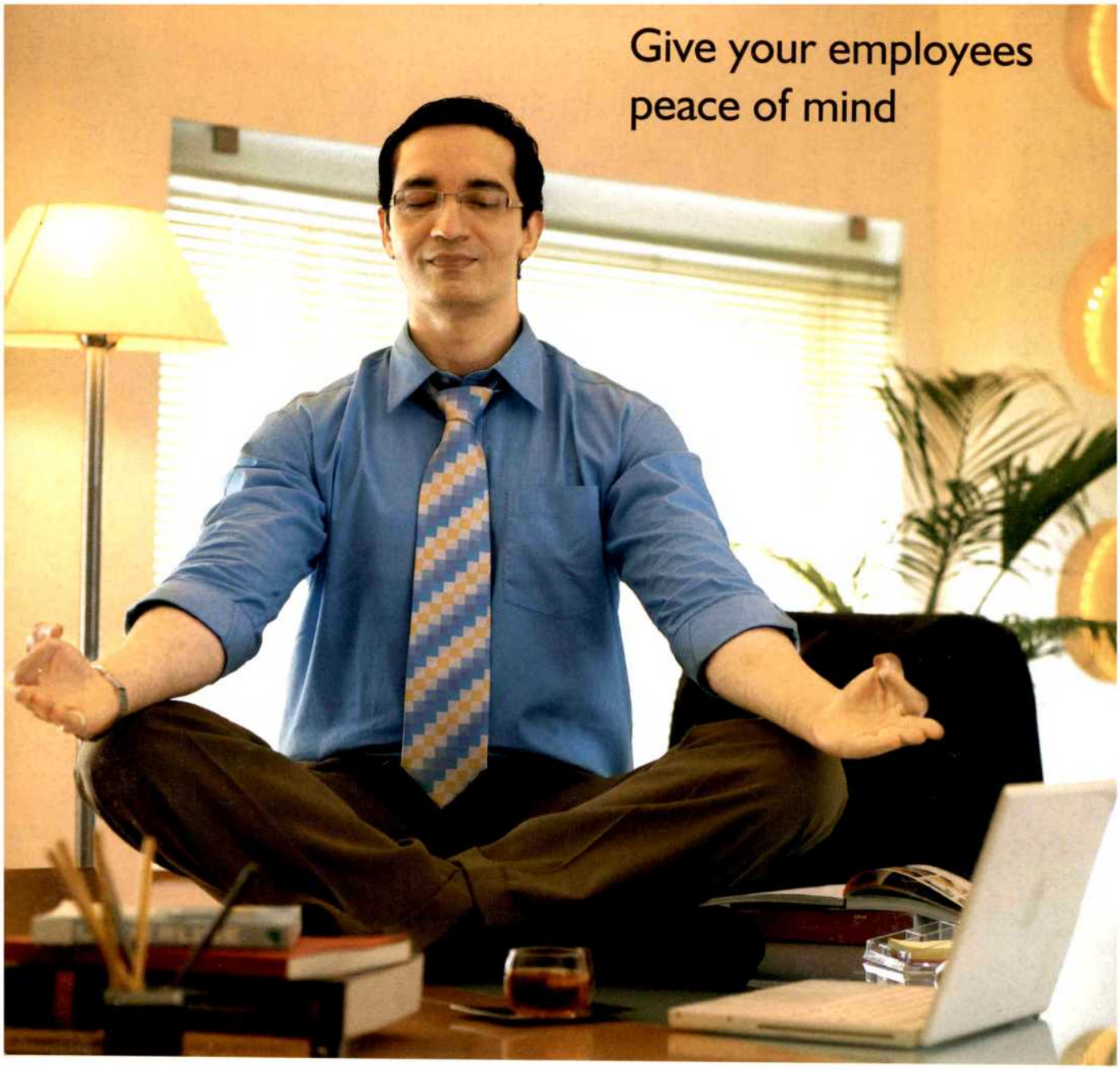
Anil Ambani, Chairman Reliance Communications

Ratan Tata, Chairman Tata Teleservices

Kumar Mangalam Birla, Chairman, Idea Cellular

Sunil Bharti Mittal, CMD, Bharti Airtel

1 No. INDIA'S BUSINESS MAGAZINE MOST READ MOST SOLD



Presenting LIC's Critical Illness Rider for Group Insurance Schemes.

LIC's Group

CRITICAL ILLNESS RIDER

Ensure your employees get the financial security when they need it most. So they can continue to be happy, healthy and productive.

- Minimum claim of Rs.50,000/-
- Maximum claim of Rs. 20/- lakhs
- Diagnosis report is the only document required for disbursement
- Enjoy group benefits at low cost
- Coverage available against 8 major illnesses - malignant cancer, major burns, stroke, kidney failure, coronary bypass surgery, heart attack, surgery of the aorta, myocardial infarction and heart valve replacement.

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Insurance is the subject matter of solicitation.

For more details on risk factors, terms and conditions please read sales brochure carefully before

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era landmarks

Live the difference

ERA LANDMARKS (INDIA) LIMITED

era mall Meerut | Haywood Colonnade FARIDABAD | Gardenia Estate MEERUT | Aster Court JAIPUR

- From rejoicing at the first world-class shopping, leisure & entertainment destination in Meerut to experiencing fine living in American suburban-like homes & premium residential townships.
- From walking past a tropical haven of climbing foliage & cascading water bodies to waking up to the serenading echoes of dancing trees and blooming flowers.
- From splashing by the poolside on a warm summer evening to enjoying your children soak into a world of their own at the play area.

Era Landmarks promises to help you take a fresh look at life.

Residential / Commercial / IT & ITES / Retail

era infra	era buildsys	era landmarks	era ezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.	ERA BUILDING SYSTEMS LTD.	ERA LANDMARKS (INDIA) LTD.	ERA E-ZONE (INDIA) LTD.	ERA POWER (INDIA) PVT. LTD.

(#Combined presence of all group companies as on 30th November, 2007)

Corporate office:153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

A Threat To Capitalism

by jehangir s. pocha, editor

SO IT'S ALL OVER FOR THE TELECOM entrepreneurs. With the exception of Sunil Mittal, telecom, once the domain of savvy new stars, is now dominated by the same old names - Ambani, Birla, Tata. For good measure, powerful politicians are controlling the remaining parts of the industry through *benami* companies. This was predictable. Telecom is a regulated, capital-intensive industry in which only the biggies can play. Yet, it's sad to see grassroots entrepreneurs, who built the industry, short circuiting, just as they are in other industries.

Step aside from the hype about Indian entrepreneurship thriving and you'll see the economy is still controlled by a handful of groups. Dhirubhai Ambani's equity cult has seeped into the political setup and politicians, who once thrived on choking corporate India, have now become part of it. In every regulated industry, such as airlines, real estate, telecom and steel, at least one leading company has a politician with a *benami* holding.

This is crony capitalism, the only certainty about which is that it fails. It is almost as damaging to real capitalism as socialism. *BW* has repeatedly said the bottlenecks in India's economy will trip up growth and I wouldn't be surprised if a crisis caused by crony capitalism triggers a meltdown in the economy.

The state of Indian entrepreneurship is also worrying. Most Indian entrepreneurs see opportunity, but have no vision. The few who do, can't build scale due to obstructionist state governments and ailing commercial infrastructure, including a banking system run by a cartel of state-owned players. That's one reason our stockmarkets have no depth and even the relatively small amount of money rushing in ends up inflating the stocks of the handful of blue chips available. So what's an investor to do? For one thing, utilise the new regulations allowing overseas investments of up to $200,000. With the US economy slowing, several great companies will soon sell at attractive valuations on US bourses.

Businessworld

Volume 27 Issue 40.
For the week 19-25 February 2008,
Released on 18 February 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81

No matter which language your brand speaks, make it go that extra mile with Kerala's most powerful advertising medium, Vanitha. Because India's No.1 magazine for women influences shoppers of all descriptions, right across Kerala.

Source: ABC Jan-June '07, NRS '06

Vanitha

India's No.1 magazine for women

Feedback your comments

Speed Bumps Can Be Good

Your cover story on the Competition (Amendment) Act 2007 ('A Law With Flaws', *BW* 18 February) was very timely. The Indian corporate community, which has seen some of the biggest mergers and acquisitions (M&As) happen recently, is evidently a bit shaken up. However, as much as I agree that the Act is not well thought out and planned, I also believe that it will help them in the long run. The sheer size of the recent M&A deals may be impressive, but the fact remains, Indian corporates are still just growing. Also, the enormous debt leverage being used in these M&As would prove to be unsustainable in the long run. So, restricting these companies' dreams of inorganic growth — not considering the methods employed to do so — will only help them and their shareholders.

Arihant Mahajan, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

The Need For Growth

I read with great interest your interview with the Gulf Air chief ('Goyal Drove Gulf Air Out Of Jet', *BW*, 18 February). Infrastructure is the key to growth, but the country is woefully short of it. This is a major impediment for foreign companies to make their presence felt in India. Björn Näf is right in saying that "to have a good product, it is not enough to have a good in-flight product, but a product well made on the ground as well". For an economy to grow, we need to have a free market too, along the lines of the US. The market will automatically drive players to deliver better quality. This can be achieved only if we have the requisite infrastructure to fuel growth. The government must encourage in a big way public-private partnerships for developing infrastructure, and must quickly move in that direction before we miss the bus.

Srinivasan Umashankar, via e-mail

Proletarian Woes

Your story 'Will UNI Survive?' (*BW*, 18 February) was informative as well as balanced. I am afraid that the workers' union is being made a tool by some newspaper proprietors to settle their own scores. A news agency cannot survive merely on government support. I really fail to understand as to how it makes any difference to the independence of UNI if it is managed by a business tycoon or a group of newspaper proprietors. It is a specious argument that trusts are better than individuals. Even newspapers run by co-operative societies are as exploitative as those managed by any single industrialist. Well-off employees can certainly fight for the freedom of speech and expression in a better manner than in perpetual financial difficulties.

Parmanand Pandey, via e-mail

A Flawed System

This is with reference to your article 'Trading On The Edge' (*BW*, 11 February). In view of the facts available publicly, I believe it is the system that is to be blamed. How come such an act could go unnoticed for so long? The person using the loopholes of the system for personal benefits should also be punished severely. The view that 'Kerviel's intention was to give the benefits of his work to the bank' can not justify the crime.

Akshat Agarwal, via e-mail

The letters have been edited for brevity.

MAKEOVER MY OFFICE

Move from "cramped" to "revamped". Participate in the 'Makeover My Office' contest and change the face of your workstation in 3 easy steps:

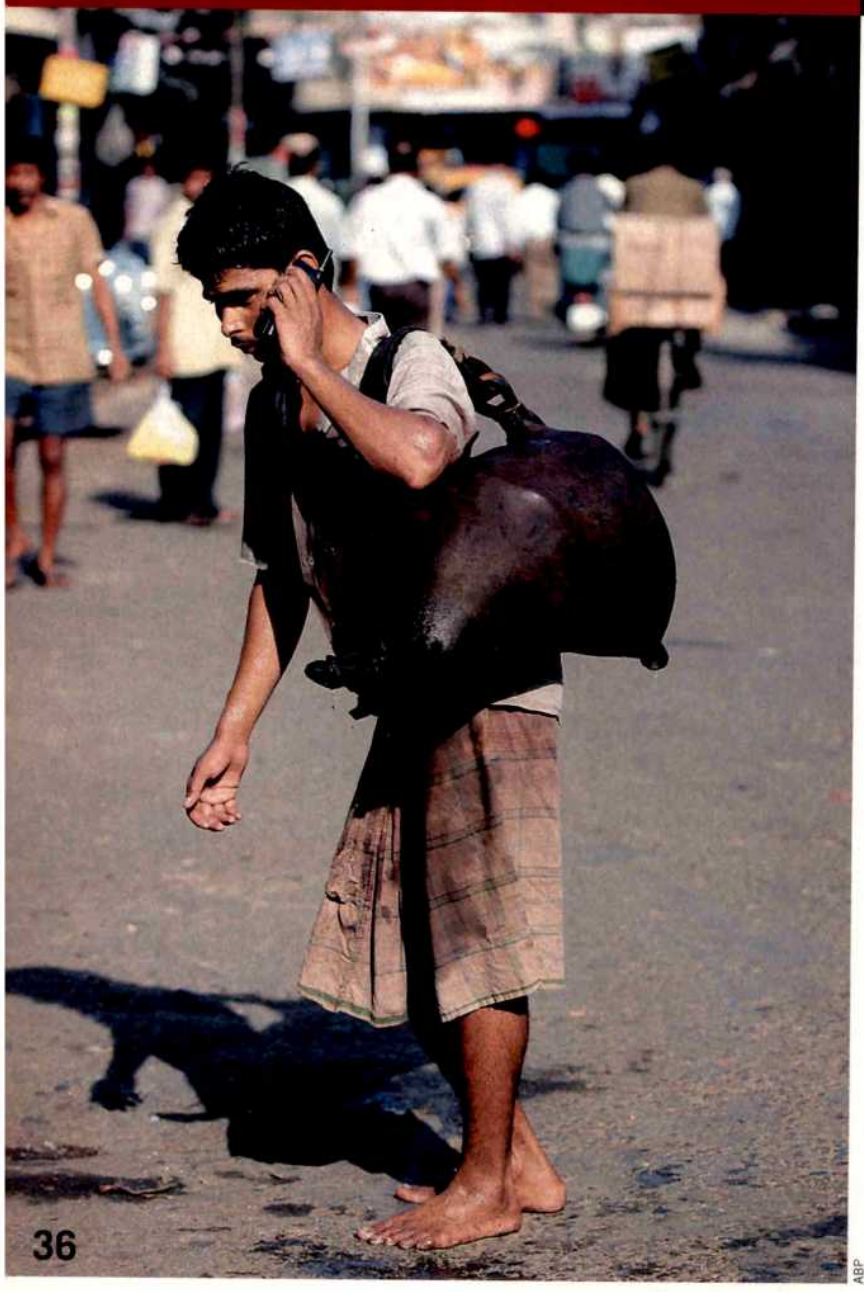
Register at makeovermyoffice.co.in → Watch the demo films and answer 2 easy questions → Write a short note on what your dream office looks like and why do you need a makeover?

We will give your workstation that much needed makeover. Participate and also win* other cool prizes like Windows Mobile Phones, Tablet PCs with Windows Vista™ Ultimate, Microsoft® Office 2007 Professional and more. To know more logon to: **www.makeovermyoffice.co.in or** SMS **MMO** to **5676751**

*Conditions apply.

McCann/MSFT/30/08

Businessworld 25.02.08



ABP

COVER STORY

36 Ringing Ambitions

About 10 of India's richest and most powerful men are battling to take control of your cellphone.

ON POINT

10 Dabba Walas
RPL's stock spawns a crisis in dabba trade.

11 Going Green
ONGC's pact on carbon management.

14 Pie In The Sky
Anil Ambani keeps biting into Deccan.

16 FIANCHETTO
Weekly strategic corporate moves.

18 QUICK TAKE
India's IT services headed for a fall?

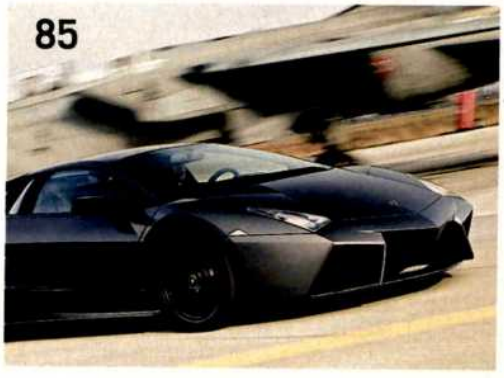
IN THE NEWS

24 Won't Bank On Them
Banks being sued for fooling companies.

26 Danger Signals
IT hubs in the South in terror crosshairs.

28 Too Hot To Touch
Demand for public offers takes a dip.

30 Subprime Effect
US banks trying to sell captive units.



32 News Or Advertisement?
BCCL's JV raises ethical questions.

IN DEPTH

48 Mean Machines
DefExpo08 will see an impressive array of products by Indian firms.

54 What is luxury?
Indian hotels must ponder over the question in the face of foreign competition.

64 Revved Up
Now racing teams have sponsors and no driver pays entirely from his own pocket.

70 E-nabled
E-learning is the right option when recruitment and training costs go up.

SPECIAL REPORT

60 Unfinished Agenda
The government's failure to deliver on key fronts takes a toll on economic growth.

TECH TALK

78 Functional Foods
Medicine meets nutrition in the foods of the future which are already here.

82 Iron Treatment
Is iron good for ecology or not?

IN VOGUE

85 Furies On Wheels
Million-dollar cars mix speed with luxury.

90 Book Therapy
A publisher revives old and lost books.

92 Bookmark
Formula for sustained business success.

94 Book Excerpt
How Chinese banks may learn from India.

IN CONVERSATION

44 SANJAY SACHDEV
REGIONAL MANAGER (SOUTH EAST ASIA),
SHINSEI BANK
The Japanese major eyes India's domestic asset management industry, and is keen on the stressed-asset space where it has significant experience.

COLUMNS

22 Ashok Desai
How the RBI ignores a serious slowdown.

34 Nayan Chanda
India is back in the global supply chain.

42 Rajeev Dubey
Invest in educating retail investors.

58 William Pesek
Asia's real risks of financial hiccups.

BW & YOU

06 FEEDBACK

98 BW OPINION

Cover Design by Jyoti Thapa Mani
Photographs: (Left to right) Tribhuwan Sharma, Hemant Mishra, Sanjit Kundu, Amit Verma

BWonline
businessworld.in
WEB EXCLUSIVES

Buying Body Parts
The Gurgaon kidney racket shows why the law needs a relook, says Ranjeev C. Dubey.

TechnoCool
Tushar Kanwar on the challenge portable media players pose to the iPod.

Total No. of pages including cover: 100

STOCKMARKET

Grey Market Blues

RPL's stock has spawned a Rs 2,500-crore payment crisis in dabba trade

TAKING STOCK: The RPL stock is now trading at a discount of Rs 175 to the issue price

THE DEBUT OF Reliance Power (RPL) shares on the Mumbai Stock Exchange (BSE) and the National Stock Exchange (NSE) was one of the most spectacular fiascos in recent times in the Indian primary market. It was hyped up so much that when the stock crashed below its offer price, even grey market investors felt the tremors.

Scores of investors are believed to have refused to pay up after buying RPL shares shelling out double the Rs 450 offer price as premium. Usually, operators do not lose money because shares invariably list at a premium to the last traded price in the grey market. Sometimes, if there is a marginal loss, the difference is settled through cash and the show carries on to the next IPO. However, the RPL stock is believed to have spawned a Rs 2,000-2,500 crore payment crisis in the unofficial bucket (*dabba*) shops most of which are in Gujarat centres such as Ahmedabad and Rajkot. That is because, it debuted at a 21 per cent premium to its offer price of Rs 450 but soon sank below it. It now trades at a discount of Rs 175 to the issue price.

With the other two big IPOs — Wockhardt and Emaar MGF — bowing out due to poor investor response, the below-the-ground operators are stuck for a while.

That brings us to the point, how to regulate this when-issued market. It's difficult, but then, sources say that it is tough for that market to function without the connivance of the issuers and their investment bankers. Regulating them better could be the answer.

Dinesh Narayanan

19 per cent of the US's population will be foreign-born by 2050, according to the Pew Research Centre

QUOTE OF THE WEEK **"India's development trajectory is arithmetically unsustainable."**

— JEFFREY SACHS, DIRECTOR, EARTH INSTITUTE, COLUMBIA UNIVERSITY

OIL AND GAS

Green Credits

ONGC is collaborating with Norway's StatoilHydro on carbon management projects

WHILE MOST OIL companies avoid speaking of climate change, India's ONGC has taken the issue head on. The oil and gas giant has signed an agreement with Norway's StatoilHydro to explore carbon capture and sequestration (CCS), clean development mechanism (CDM) and other carbon management projects.

StatoilHydro, which runs one of the largest CCS projects in the world, will help ONGC's facilities develop similar capabilities over three years.

CCS technologies suck CO_2 out of the atmosphere and pump it underground for storage. This reduces excessive levels of the gas in the atmosphere and lowers the risks of abrupt climate change.

But for oil companies, there is an added benefit of pumping CO_2 underground, as it is also an effective way of extracting oil from nearly-exhausted wells. Enhanced Oil Recovery or EOR acts on the same principle, but uses CO_2 to extract hard-to-reach oil. By trapping CO_2 underground, ONGC will also earn revenues by selling carbon credits through the CDM. These credits can be sold to companies that have been unable to take their own CO_2 emissions below legally permissible limits.

Pierre Mario Fitter

BLOOMBERG

THE PERKS: Pumping CO_2 underground helps oil companies extract hard-to-reach oil

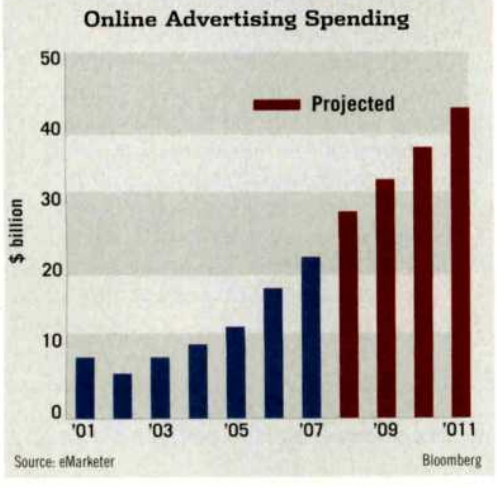
India
FOCUS

Bitter pills

Fake and counterfeit drugs make a Rs 15,000 crore market in India and this is growing at the 20-25 per cent a year, says a recent study by Assocham. Shocking, it may sound, but the National Capital Region accounts for almost a fifth of such sales. The cleansing has to begin here.

ONLINE ADS SURGE

The online advertising market in the US may double by 2011, targeted by Yahoo for its future growth plans



HOLLYWOOD

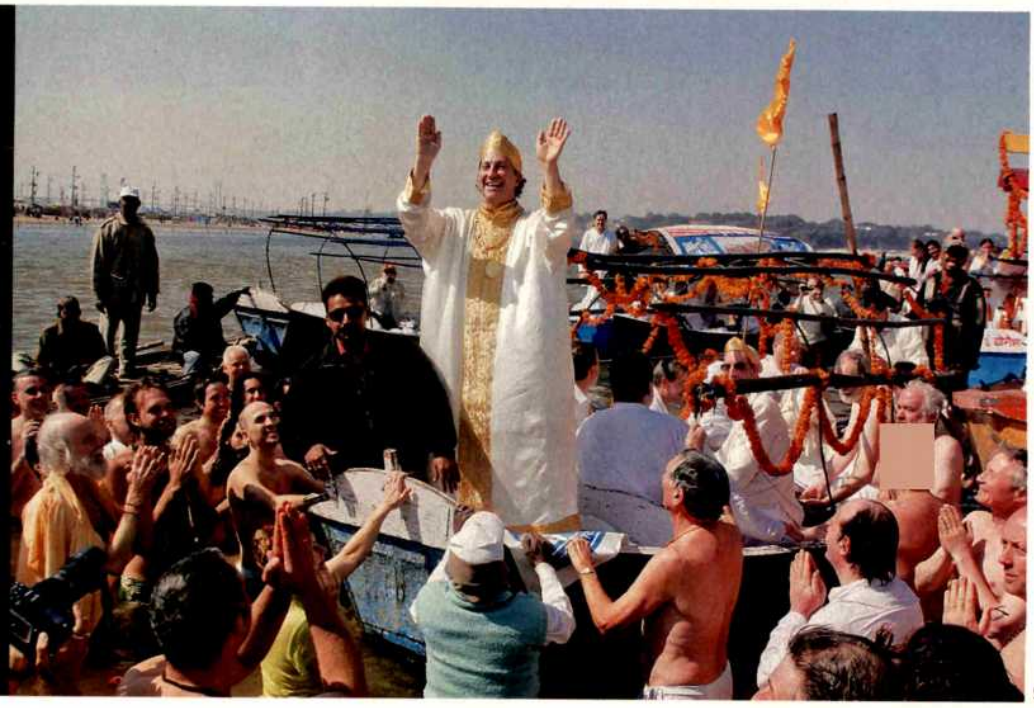
A LEGAL SEQUEL

THE TOLKIEN TRUST, ESTATE OF *THE Lord of the Rings* author J.R.R. Tolkien, and British arm of publishers HarperCollins are suing the film studio New Line Cinema that released the trilogy based on his books, claiming that the company has not paid them a penny from the $6 billion the films have grossed worldwide. HarperCollins is owned by News Corp, which runs the rival Fox Studios. The trustees' lawyer has accused New Line of 'creative accounting'. According to the complaint, the trustees and a predecessor to HarperCollins signed a contract with United Artists in 1969 for the film rights to *The Hobbit* and *The Lord of the Rings* trilogy. They were entitled to a 7.5 per cent share of the gross receipts. New Line inherited the rights in 1998. The plaintiffs seek $150 million in damages and a court order giving the estate the right to terminate any rights New Line may have to make films on other works by the author.

BW *Bureau*

YOGIC EMPIRE

Maharaja Adhiraj Rajaraam, successor to Maharishi Mahesh Yogi, will now take care of the $2-billion business empire built by the iconic guru, who sought to blend Eastern philosophy and western science to harness the mind's power. The Maharishi was cremated in a tumultuous ceremony in Allahabad.



AP

MUMBAI

Local Media Speak

Thackeray's point may very well be valid, but the same can't be said of his methods

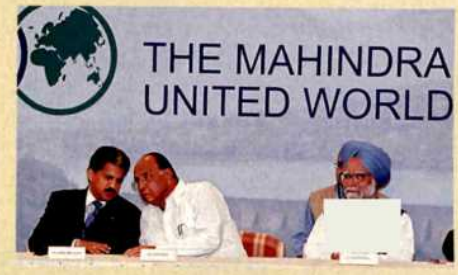
LOCAL PAPERS CONCEDE that some of the questions raised by Bal Thackeray's nephew Raj Thackeray have some weight. But, they definitely think the approach is not right. They are both ambivalent and contrite about the violence that Thackeray's statements have engendered.

They do tend to believe that people coming to Mumbai and making their fortunes or lives in the city need to give something back for its betterment. They see sense in Thackeray's tirade against Bollywood icon Amitabh Bachchan.

But, everyone agrees that discrimination against migrants does not give any Maharashtrian (Marathi manoos) a right to manhandle anyone on the basis of his or her place of origin or birth.

Meghana Biwalkar

NATURE PRESERVATION



A natural haven

THE FACULTY AND STUDENTS OF MAHINDRA United World College of India have created a unique biodiversity park and reserve spread over 170 acres in Pune. Inaugurated on 9 February, the project aims to enhance the flora and fauna in the reserve on the Western Ghats, which itself is a global biodiversity hotspot.

The second part of the project covers about 95 acres and consists of a conservation reserve. The forest department will add 80 acres of forest land to the reserve.

Reality Check

A majority of Americans believe that the best way to escape recession is to pull out of Iraq, according to a recent Associated Press-Ipsos poll.

US ELECTIONS

THE FOG LIFTS

BARACK OBAMA'S supporters cheered themselves hoarse as they celebrated his decisive victories in Virginia, Maryland and the District of Columbia this week.

These wins are being seen as a major turning point for the Democratic presidential nominee. This is the first time that Obama showed impressive strength, not just among his traditional supporters — blacks, young voters and independents — but also among older voters, lower-income people and women, constituencies that have formed the core support for Clinton.

AP

Clinton's campaign was further compromised by the resignation of deputy campaign manager Mike Henry. Earlier, Clinton had demoted her campaign manager, Patti Solis Doyle. But Clinton continued to sound optimistic as she addressed supporters in El Paso, Texas. A substantial victory in that state and Ohio could break Obama's momentum and bring Clinton back into contention.

On the Republican side, John McCain further cemented his nomination by winning in all three primaries too.

Sumati Nagrath

TOP 10 LISTINGS

MOST EXPENSIVE OFFICE LOCATIONS

1	London	311.58
2	Hong Kong	238.58
3	Tokyo	210.12
4	Mumbai	166.04
5	Moscow	158.72
6	Paris	141.57
7	Singapore	130.48
8	Dubai	126.01
9	Dublin	112.54
10	New York	100.28

Figures are occupancy cost in $/sq. ft/ annum
Source: Cushman & Wakefield

The gap between the lowest and the highest interest rates has narrowed

FINANCE

Falling Flat

OVER THE WEEK, short and medium-term interest rates — those at one year and above — have risen, even as interest rates at the long end — 10 years and more — have come down. Thus, the band between the lowest and highest interest rates has narrowed.

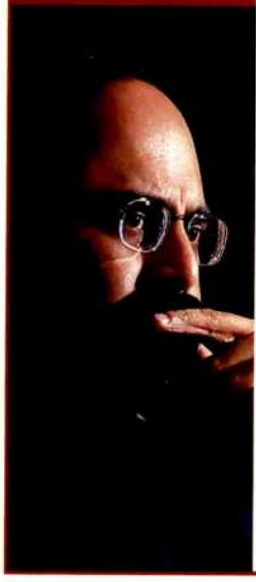
Between November 2006 and March 2007, short-term interest rates, even as the Reserve Bank of India began its monetary tightening through increases in cash reserve requirements.

At that time, banks are said to have borrowed one-year money from mutual funds, which is due for repayment now. Result: short-term rates are staying high, and the yield curve — which plots interest rates for different time periods — is flattening as long-term rates come down, following the slowdown in the economy. A flattened yield curve prices in expectations of a lowering of RBI policy rates, given economic conditions. But will the RBI oblige?

SME Banking |
Loan/ Overdraft Against Property
• Lending against property upto INR 3.15 crores
• Loan upto 75% of property value
Call 39404444/ 66014444
Conditions apply.
Standard Chartered

THE COST OF BAD GOVERNANCE

BY RAJEEV CHANDRASEKHAR



AS I DESCRIBED IN MY LAST piece, the role of institutions that deliver governance, including regulators, are clearly letting us down.

Let's take the example of the Telecom Regulatory Authority of India — an institution with which I have more than a little experience. In 2001, Trai did something hysterically funny, but for its disruptive outcome. It developed a case for companies to bypass the entire existing system of licensing and spectrum allocation. This led to a series of litigation and chaos that lasted for over 30 months. Many investors just exited the sector.

In the middle of all this, it recommended an auction for cellular licenses. Very few people bid and the bid amount for an all-India license was around Rs 1,300 crore, a number still used as a benchmark. The point I am making is that regulatory decisions such as this and chaos caused a depression in the valuation of the sector by keeping potential investors away. This depressed value was used to sell licenses then and even today.

What is the estimated value of a license today? Given that the market caps of listed telecom companies like Bharti Airtel and Vodafone-Essar are $40 billion and $25 billion, respectively, you can assume that licenses should be worth billions of dollars.

Another instance of regulatory misconduct — all telecom companies raise tariffs simultaneously. After being coerced by the media, the regulator took note, but termed it 'co-operative pricing'. Is it not just another way of describing cartels?

What is going wrong? Regulators were created so that they are shielded from political influence. In terms of Parliamentary Acts that give such bodies the power and autonomy, this objective is met. But every move by the executive, right from the first step of enacting the legislation to more powers to the regulator, has been wrong.

A good regulator needs adequate capacity, that is, knowledge of economics, law and competition. Regulation is quite sophisticated today and equally important too, especially since it involves private concessionaires who will engage the brightest minds in the game to outwit the regulator.

AVIATION

Aiming For The Skies

Anil Ambani keeps his aviation hopes alive by quietly buying into Deccan

SUBHABRATA DAS

NEW BONDS: Mallya will merge Deccan with Kingfisher soon

ANIL DHIRUBHAI Ambani's failure to acquire a strategic 26 per cent stake in Deccan Aviation has not stopped his company Reliance Capital to keep biting into Air Deccan's shareholding. Reliance Capital has quietly hiked its holding in the low-cost carrier to about 10.75 per cent now.

Ambani is aware that Mallya will merge Deccan with Kingfisher soon. So, he still wants to make the most of the value his share purchases can yield.

Kingfisher is awaiting an approval from the government and the Securities and Exchange Board of India for a merger of Deccan with itself. A swap ratio is likely to be announced by April and the merger process will begin after that. Ambani can either encash his shares at an appropriate time, or get a share of the merged entity, and explore options in the future.

Team BW

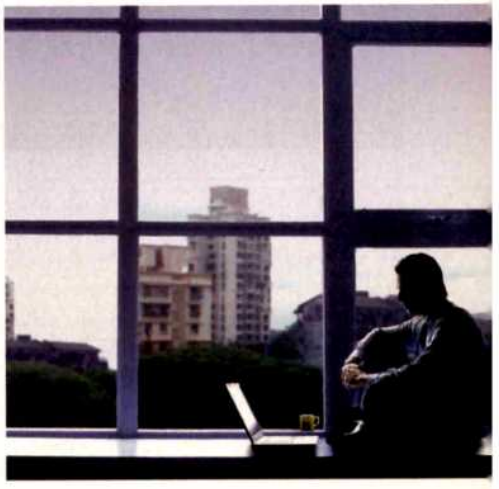
Trade

TIES

Indian professionals working in the US in short stints may get more dollars in hand if the US agrees to a totalisation agreement. Initial talks for are on between the two countries. At present, Indian professionals are estimated to shell out $1 billion a year to the US government towards social security, the benefits of which they are not able to avail.

92 per cent. Reach of broadband internet in China's villages, according to ministry sources

K.RAHEJA®
UNIVERSAL
Building Trust. Building Lifestyles.



UNIVERSALLY ENRICHING

Creating value is the business we are in. We build grand and futuristic buildings,
choose dramatic locations, create environments to live and work in and surround you
with world class luxury and amenities. And it's your fulfillment that enriches our lives.

RESIDENTIAL • COMMERCIAL • IT PARKS & SEZS • RETAIL • HOSPITALITY

.. Raheja Universal Pvt. Ltd., Raheja Centre-Point, 294, C.S.T. Road, Near Mumbai University, Off Bandra-Kurla Complex, Santacruz (E), Mumbai. 400 098, India. Tel: +91 22 6641 4141. Fax: +91 22 6641 4242 E-mail: mail@krahejauniversal.com; Website: www.krahejauniversal.com.

BLOOMBERG

ArcelorMittal's innovative solution

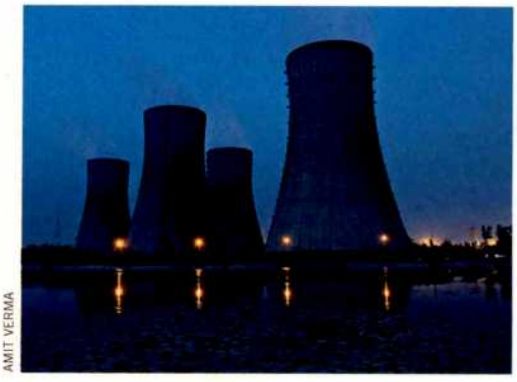
ArcelorMittal Stainless and Nickel Alloys, a wholly-owned subsidiary of ArcelorMittal, has formed a tripartite joint venture (JV) with Germany's Auerhammer Metallwerk and India's Shivalik Bimetal Controls to set up a metal cladding plant at Indore. The new venture, to be called Innovative Clad Solutions, will come up in the next 15 months with an initial annual production of 10,000 tonne.

Landmark deal

Landmark Real Estate, an investment firm, has picked up 50 per cent stake in Shipra Estates' Rs 750-crore residential project in Ghaziabad. Landmark claims to have invested in projects whose total post-development liquidation value is approximately $6 billion. It has got $300 million in three equal tranches from different overseas funds for investing in Indian realty.

Forging a tie-up

State-owned National Thermal Power Corporation and the world's second largest forging firm Bharat Forge have inked a Rs 3,000-crore deal to set up a plant to manufacture components for power plants. The joint venture — which will manufacture forgings, castings, casings, fittings and high pressure piping required for power plants — will start operations within 15 months of incorporation.



AMIT VERMA

Biocon's Europe foray

In what will help biotechnology firm Biocon get a European footprint, the Bengaluru-based company has picked up a 70 per cent stake in German pharma distribution company AxiCorp for €30 million. AxiCorp specialises in marketing and distribution of low-cost drugs across Europe. Germany is Europe's biggest market for anti-diabetes drugs with annual insulin sales of €950 million.

Photovoltaic expansion

Compact disc maker Moser Baer India has

DEALTRACKER

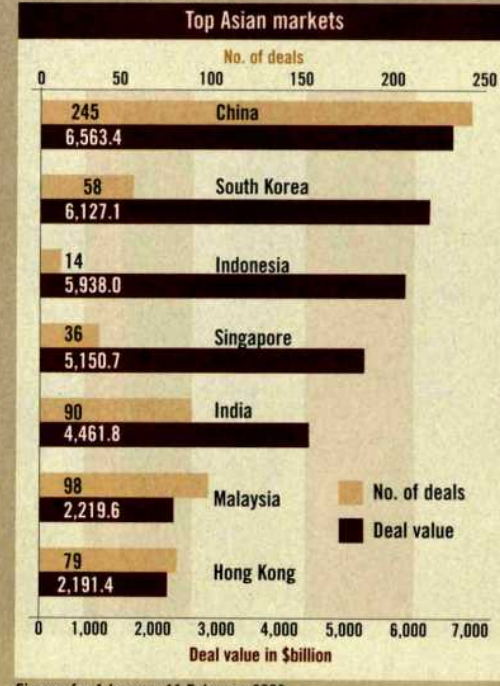
BW-THOMSON FINANCIAL M&A TRACKER

January The Asian M&A market saw 438 deals worth $24.26 billion as on 28 January. Indonesia was the largest market with deals worth $5.41 billion. China was the largest in number of deals (167 deals).

Top Indian deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($M)
General Chemical Industrial	US	Tata Chemicals	India	1,005.00
Reliance Media & Ent.	India	George Soros	US	100.00
HDFC Chubb General Ins. Co.	India	ERGO International	Germany	59.83
Proximities Inc.	US	Bartronics America	India	50.00
Rolastar	India	Tomkins	UK	9.37
Sambhaav Media	India	Shyam Securities	India	3.39
Shree Herbal Technologies	India	Indoco Remedies	India	0.64
Sage Capital Fund Management	India	SBI	India	0.51
Alden Pre-Press Services	India	OKS Group	US	NA
Greaves Cotton	India	DBH International	India	NA

Figures for 27 January-9 February 2008



Figures for 1 January-11 February 2008

announced a $1.5-billion investment to expand capacity of its thin film photovoltaic modules. Its subsidiary PV Technologies India has signed a deal with a global equipment firm for supply of critical equipment for the modules manufacturing unit. The expansion is expected to increase the company's capacity from 40MW to over 600MW by 2010.

TCS rejigs overseas operations

Tata Consultancy Services is restructuring its global operations into five groups — industry solutions group, major market group, new growth markets, strategic initiative group, and organisation infrastructure group. Each group will have a director, who will report to N. Chandrasekaran, COO and executive director of TCS. The restructuring is aimed at driving operational agility, addressing new growth opportunities, and enhancing customer focus.

Entertainment value

US-based billionaire investor George Soros has picked up 3 per cent in Reliance Entertainment. The $100-million stake sale values the Anil Ambani-owned company at $3.3 billion. Reliance Entertainment can use this money to buttress its presence in the media and film industries.

Entertainment zones

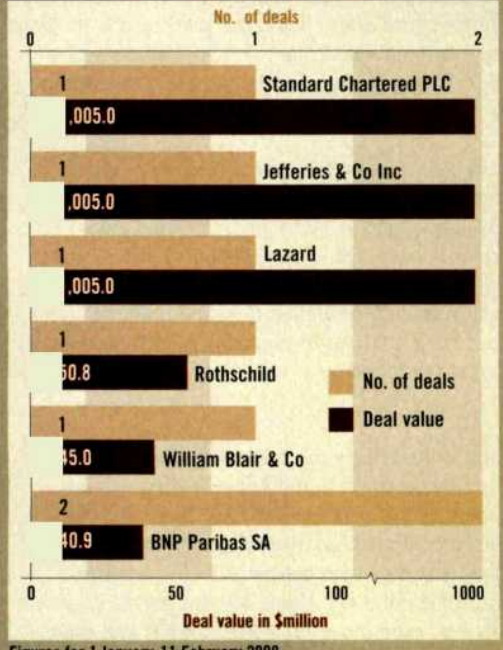
Multiplex cinema exhibition company PVR has formed a JV with Thailand's Major Cineplex Group to set up entertainment zones at PVR's cinemas in India. The venture will set-up bowling alleys, karaoke centres, ice skating rinks and gaming zones at PVR's multiplexes. The venture plans to set up 150-200 bowling lanes in the next three years in key cities across India.

Sri Lankan sojourn

Realty developer Mahindra Lifespace Developers has signed a $100-million pact with the Board of Investments of Sri Lanka to set up an IT park near Colombo airport. It is also expected to sign an agreement for developing a SEZ at Kappalthurai in Sri Lanka.

AMIT VERMA

India financial advisory rankings



Figures for 1 January-11 February 2008

Top Asian deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($M)
Rio Tinto	UK	Shining Prospect	Singapore	14,284.17
AES Corp-Power plant	Kazakhstan	Kazakhmys Power	Kazakhstan	1,481.00
General Chemical Industrial	US	Tata Chemicals	India	1,005.00
Westin Tokyo	Japan	GIC	Singapore	721.80
Hyundai Heavy Inds Co.	South Korea	Hyundai Heavy Inds Co.	South Korea	691.21
SOCO Yemen	Australia	SINOCHEM Petro Expl & Prodn	China	495.00
Excelcomindo Pratama	Indonesia	TM International	Malaysia	440.79
M Boundi Field	Rep. of Congo	KNOC	South Korea	435.00
EON Capital	Malaysia	Primus Pacific Partners	Hong Kong	412.01
Stella Hospitality Group	Australia	CVC Asia Pacific	Hong Kong	369.16

Figures for 27 January-9 February 2008

Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

Is India's information technology services industry headed for a fall?

We asked... R. Sivakumar, MD, Sales and Marketing, South Asia, Intel, Srikanth Ramachandran, President and CEO, NTrust Infotech, Ajit Pillai, Country Manager, India and Saarc, Secure Computing, Shashank Samant, President Ness North America and Head of the High Tech and Software Vertical, Sudin Apte, Country Head, Forrester Research, Kaushal Mashruwala, MD, Savvion India, Neeraj Bhargava, CEO, WNS Global Services, Pawan Gulani, Manager, Strategy, Finance, Reliance Retail, Prasad Ajinkya, Head, Solutions Delivery, eYantra India, Ankit Jain, Product Manager, Hewlett Packard India, Amod Verma, Engineer, Qualcomm

"The infrastructure support is minimal and workers imbibe no managerial capabilities."

Pawan Gulani, Manager, Strategy, Finance, Reliance Retail

"The IT-services industry has always shown swiftness to change and innovate."

Kaushal Mashruwala, Managing Director, Savvion India

"There are all the signs of a rationalisation of growth in the Indian IT industry."

Sudin Apte, Country Head, Forrester Research

Yes 18%

YES BECAUSE: Unlike the stockmarket bubble, which keeps popping every second week, the IT and IT services bubble has been the subject of much speculation ever since the dot-com bust of 2000. This is because of burgeoning deal sizes, despite high attrition rates, lack of any significant support from the government, lack of infrastructure to sustain growth and the lack of interest and/or capability amongst the smaller players to move up the value chain. In light of such factors, some of our respondents did believe that the IT industry is, indeed, headed for a fall. Some felt that there is no focus on IT products in the Indian market. Instead, the business orientation of most of the big players as of now is on projects, so much so that they simply base their financials on projects and their profitability.

No 73%

NO BECAUSE: Despite all the above factors working against the Indian IT and IT services industry, there are still some who make a strong case for its potential for further growth and survival. Mostly insiders from the Indian IT industry, this lobby believes that the so-called 'IT bubble' doesn't even exist. So, any talk of it going bust is mere uninformed speculation. Some believe that the industry is likely to face challenges in the form of a slowdown in the US economy, employee cost and rupee appreciation. Although these factors may affect the performance of the Indian IT services industry over the next few quarters, it is not a long-term problem. Also, some felt that the industry is just maturing and one can only expect to see growth and consolidation in the industry.

Maybe 9%

MAYBE BECAUSE: The recent happenings at the IT services major Tata Consultancy Services have evidently left the IT community shaken up. According to Sudin Apte, the India country head of Forrester Research, spending growth in the IT industry has gone down by half from about 6 per cent to less than 3 per cent over the past year. Customer satisfaction has also dropped in the recent past. Given such figures and the recent turbulence in the industry, some believe that the Indian IT sector may actually be headed for a rationalisation of growth if not a fall. Some say, the meteoric growth in the past is likely to settle down to more humble levels. So, even though the size of deals and the complexity of work done has been going up, there may be grim times ahead for the industry.

In today's competitive world, talent is everything. And the best of talent is on Monster.com, India's best job site*. Using Monster's highly acclaimed Magic Search, you can search over 12 million job seekers and yet get just the right candidate. To give your business the Monster advantage, call 1800-419-6666^ today! ** As declared by PC World in 2007 ^From any telecom operator*

monster.com
No matter what

5065 2008

"THE BIGGEST ENEMY OF GREAT IS GOOD."

Deep Kalra. Founder and CEO, Makemytrip.com

A good business follows the rules. A great one rewrites them. That's how we created a thriving online business that revolutionised the travel industry. And it's no different from how HP designed our newest printer. The HP OfficeJet pro represents a quantum leap in printing. It saves 30% on printing costs compared to a laser, with output quality and speeds that are just as impressive. To us, that's not just great - that's awesome.

MULTI-FUNCTIONALITY
HP OfficeJet pro L7580
All-in-One
Print, scan, copy and fax
Rs. 16,999*

PRODUCTIVITY
HP OfficeJet pro K5400dn
Networking and 2-sided printing
Rs. 8,499*

SMS **'HP' to 57575**
Call **3030 4499** (from mobile, prefix your STD code) or
1800 4254 999 (toll free, from MTNL/BSNL lines)
Visit **hp.com/in/officejetpro**
E-mail **in.contact@hp.com**

*Est. street price, taxes and levies extra. Prices subject to change without notice. Conditions apply. © 2008 Hewlett-Packard Development Company, L.P.

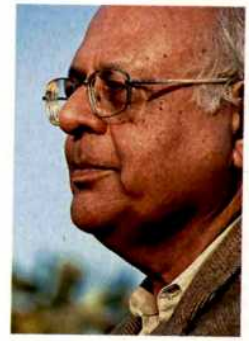
What The Figures Tell

by ashok v. desai

RESERVE BANK PUBLISHES A QUARTERLY REVIEW of macroeconomic and monetary developments. It has just put out its Third Quarter Review 2007-08. It is written in the best tradition of Indian economics — hundreds of sentences saying this went up and that went down. For people who cannot get past the first page, Reserve Bank issues a summary.

I was struck by a sentence in this summary: "The manufacturing sector registered a growth of 9.8 per cent during April-November as compared with 11.8 per cent during April-August 2006." Why was it comparing an eight-month period with a six-month one, I wondered. Even if it was trying to obfuscate, it was a ham-handed way of doing so. So I looked up the complete review. It said: "The manufacturing sector recorded a lower growth of 9.8 per cent during April-November 2007 as compared with 11.8 per cent during April-November 2006."

That cleared up the little conundrum: the summary had a misprint. But it raised another question. India is supposed to be booming, and everyone in power thinks the boom is going to go on forever. How can manufacturing growth fall?



The economy is hurtling towards a serious slowdown, and Reserve Bank is doing its best to ignore it

Explanations are foreign to the review. It gives only facts; explanations, if any, are left for the Governor to give in his speech when he releases it. But the review did say: "The moderation in manufacturing sector growth was due to decelerated/negative growth of eleven out of 17 manufacturing industry groups accounting for 49.3 per cent weight in the IIP...These, among others, included 'machinery and equipment', 'basic metal and alloy industries', 'rubber, plastic, petroleum and coal products', 'cotton textiles', 'non-metallic mineral products', and 'transport equipment and parts'. In terms of use-based classification, the capital and intermediate-goods sectors recorded double digit growth during April-November 2007...The sustained high growth in the capital goods sector was driven by increased capital expenditure undertaken by manufacturing firms to augment their production capacities. Growth in the intermediate goods sector was driven by increased production of particle wood, plywood commercial, PVC pipes and tubes and metalise bopp films. Growth of the consumer goods sector decelerated to 5.2 per cent during April-November 2007 from 9.9 per cent during April-November 2006 — largely reflecting the sharp decline in the consumer durables segment. The negative growth in the consumer durables was on account of decline in the production of telephone instruments, T. V. receiver, motorcycles, etc. The growth of the basic goods sector moderated to 8.4 per cent during April-November 2007 from 9.4 per cent during April-November 2006 due to decelerated growth in the cement sector and some aluminium and steel products."

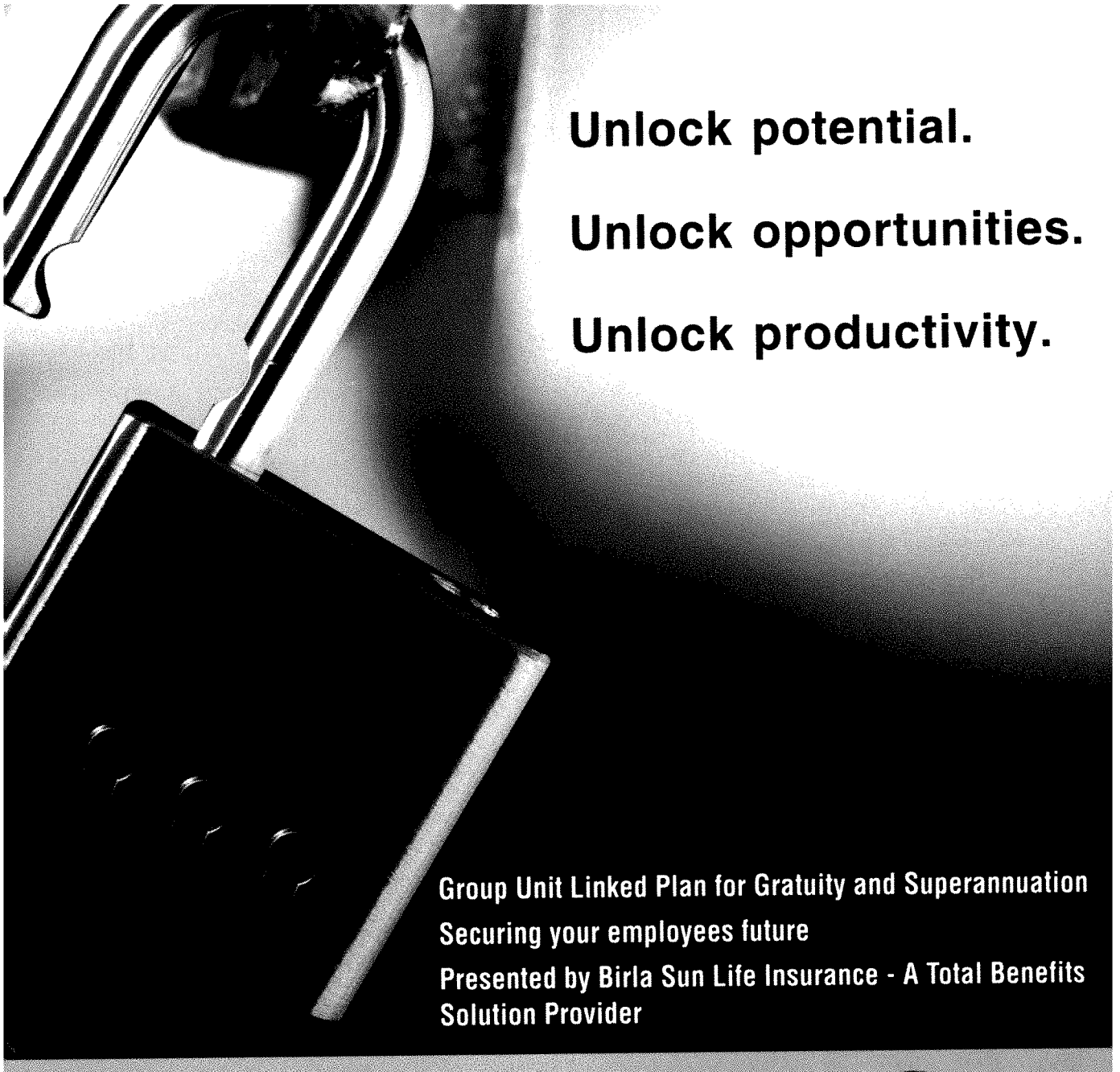
A strange way of putting it, I thought. Reserve Bank never says decline in growth; it is always moderation or deceleration. It never says a fall in output; it is always negative growth. Discounting for the euphemisms, I take the above to mean that growth in leading sectors like steel, machinery, coal, cement, trucks and buses had come down. But that is not how Reserve Bank put it. It said that the share of the sectors where growth had come down was less than a half. It noted lower growth in a few goods like telephones and TV sets; that did not sound serious.

Was Reserve Bank missing the wood for the trees? Did it not see the significance of the figures? The Governor of Reserve Bank has been there for only seven years; maybe he is still learning. So I turned to the Supergovernor. Dr Rangarajan was the equally durable Governor in the 1990s, and is now chairman of the Economic Advisory Council to the Prime Minister.

In its Review of the Economy 2007/08, the EAC noted, like Reserve Bank, the lower growth in consumer durables without mincing words: it used words like 'drop' and 'decline'. It attributed the fall to a squeeze on bank loans and higher interest rates, without mentioning that Reserve Bank had initiated these in early 2007.

I also read that Dr Rangarajan had been to see the finance minister in mid-January. The speculation was that it was about the slowdown in consumer durables, and that they discussed a possible reduction in the duties on these goods, which may happen in the next budget. So Reserve Bank noted the slowdown and dismissed it, Rangarajan noted it and took it seriously. I think that both are mistaken, and that this is the beginning of a major slowdown in all manufacturing, and very likely in the entire economy.

The author is Consultant Editor of Businessworld.
ashok.desai@gmail.com



ur **Group Unit Linked Plans** have high performance investment funds and
e backed by innovative customised solutions, expert research, complete security
f funds and a pioneer's understanding of the market.

Group Gratuity Plan • Group Superannuation Plan
Group Protection Solutions

Birla Sun Life
Insurance
YOUR DREAMS. OUR COMMITMENT.

oll Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

rla Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading ternational financial services organisation.

surance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the AVs of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla in Life is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money arket, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way dicate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the le. Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off

Caveat Emptor?

by Srikanth Srinivas

Banks are being sued for selling derivatives that lost money

IT APPEARS BANKS BEING SUED BY IRATE CLIENTS who bought derivatives contracts and lost money on them is not limited to this country. Divania, Italy's tenth largest exporter, is suing Unicredit, Europe's second largest bank, for fraud and usury, for having been sold derivatives contracts that lost money, forcing the $100-million company to shut down.

A similar scene is playing itself out here; several Indian companies are taking matters to the courts — Sundaram Multipaper is suing ICICI Bank, for one — about being similarly fooled; ICICI Bank says that the company knew what it was getting into. Media reports have named Yes Bank and Kotak Mahindra Bank as other banks that 'mis-sold' such derivatives contracts to unsuspecting companies. The Reserve Bank of India (RBI) has received complaints from other companies too that say were misled by the banks. While some have alleged misrepresentation, others say that these deals were not approved by the appropriate authority, often the board of directors. "Most companies require board approval for getting a loan," says a former financial controller at one of the companies. "Given that, taking on such exposures would require similar approvals." None of the companies and their officials wanted to be named since matters were either sub-judice or in negotiation.

Yet others allege fraud by their own employees, or officials going beyond their remit, who used the hedges as a way of speculating on currency movements. This much seems clear: most of the companies caught in this situation are the small and medium-sized export houses who were struggling with an appreciating rupee and tighter profit margins. "Many of these companies may have immature corporate governance structures," says Mohandas Pai, former CFO at Infosys Technologies. "They may not have risk management capabilities at the board level that could review these transactions or be advised of the downside risks."

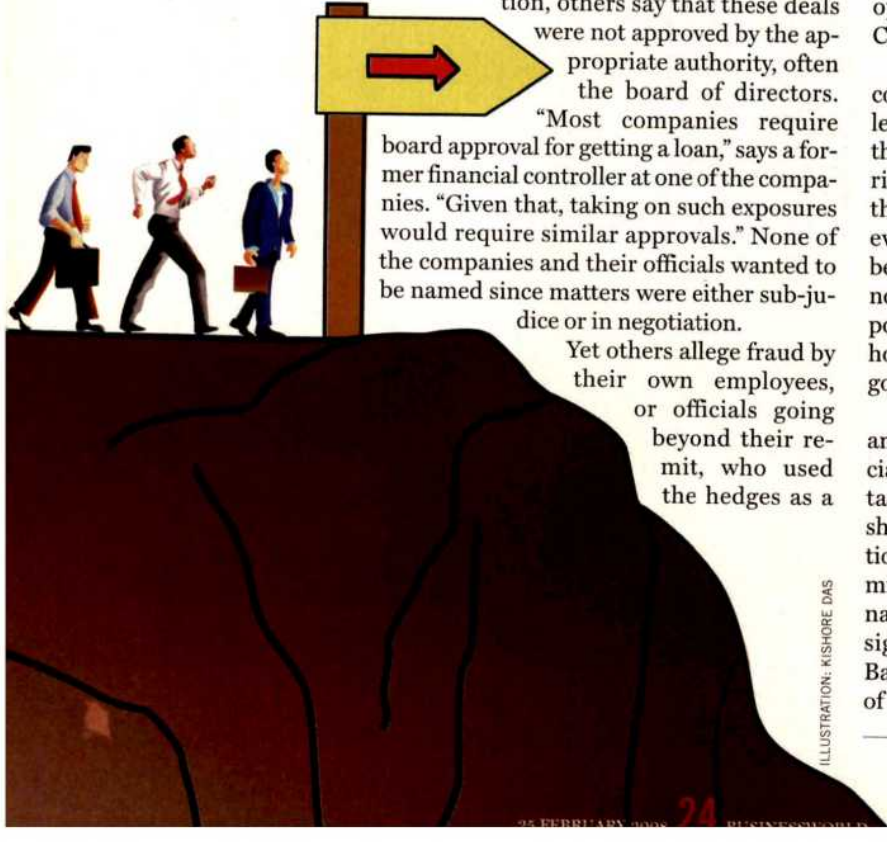
Many of the companies affected are based in the south, where financial conservatism rather than aggressive behaviour is the norm. "So when approached by the big Mumbai banks, they may have succumbed," says a former CFO of a Bangalore-based export firm. "Besides many of these companies need the banking relationships that large banks can provide, and that may have been another reason for being intimidated into undertaking these deals."

According to RBI guidelines, companies can hedge using derivative contracts in line with the value of the underlying trade transaction or export. But it seems that in many cases, the positions implied by the derivatives contracts were several times the value of the underlying export, making it a speculative bet on currencies, and a large one at that. "There have been instances when a bank has sold a company a derivatives position, and gone ahead and taken the exact opposite position on its own account," says the CFO of another Chennai-based export house.

Doth the victim protest too much? Some companies have gone ahead and bitten the bullet, but for the others, there are three defences: the deals were entered into by people not authorised to enter into them, full disclosure about the downside risks was not forthcoming, and even the banks had to know that the positions being taken were in violation of RBI prudential norms by being several times the underlying export transaction. That's for the courts to decide, however, or for the banks and companies to negotiate a settlement.

Divania's owner Francesco Saverio Parisi had another weapon: secret videos of Unicredit officials softening him up for the kill. Some videotapes of the meetings with the bank advisors showed how the bank manipulated documentation; one tape even had a Unicredit advisor admitting that he knew little if anything about the nature of the contracts he was asking Parisi to sign. Parisi is suing for almost $450 million. Banks may discover a new twist to the meaning of the word 'payback'.

srikanth.srinivas@abp.in



LED UP THE GARDEN PATH: Most of the companies caught in this situation are small export houses

ILLUSTRATION: KISHORE DAS

• Group Gratuity Plan • Group Superannuation Plan • Group Protection Solutions

HIGH PERFORMANCE FUNDS

EXPERT RESEARCH

INNOVATIVE CUSTOMISED SOLUTIONS

INDEPTH UNDERSTANDING

SUPERIOR SECURITY

WHEN IT COMES TO

GROUP EMPLOYEE BENEFITS

AND RETIREMENT SOLUTIONS,

WE'RE THERE !!

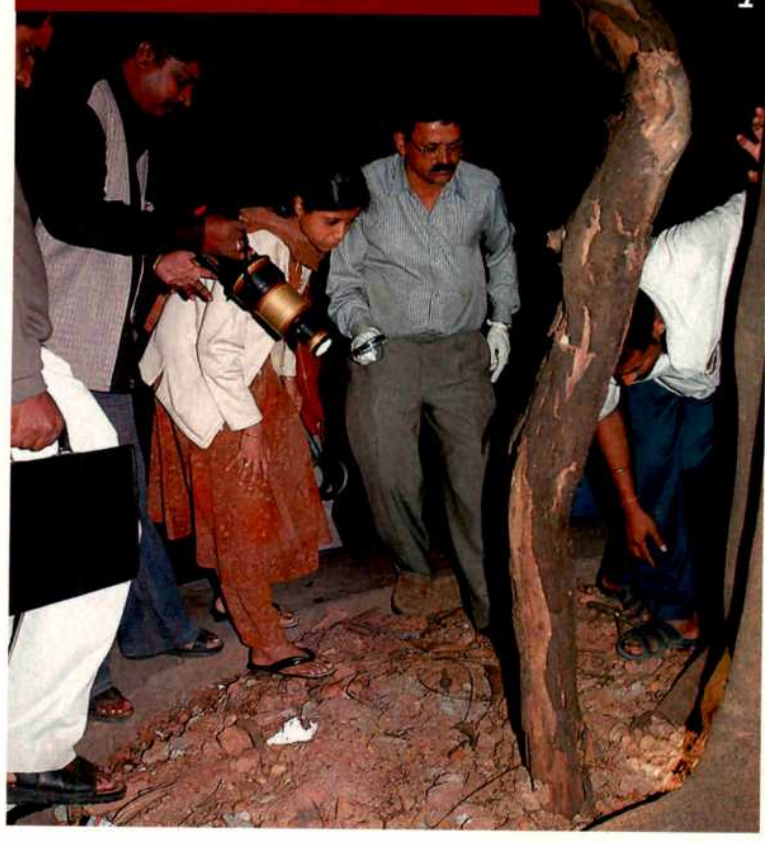
ur **Group Unit Linked Plans** have high performance investment funds and
e backed by innovative customised solutions, expert research, complete security
f funds and a pioneer's understanding of the market.

Birla Sun Life
Insurance
YOUR DREAMS. OUR COMMITMENT.

oll Free: 1 800 22 7000 • SMS 'BSLI' to 56767 • www.birlasunlife.com

la Sun Life Insurance Company Limited is a joint venture between The Aditya Birla Group, one of the largest business houses in India and Sun Life Financial Inc., a leading
rnational financial services organisation.

surance is the subject matter of the solicitation. The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the AVs of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his or her decision. Birla un Life is only the name of the Insurance Company and Group Gratuity Plan, Group Superannuation Plan, Group Protection Solutions, Fixed Interest, Bond, GILT, Money larket, Secure, Stable, Growth Advantage, Growth Multiplier, Growth Index Plus, is only name of the unit linked life insurance contract and funds and does not in any way dicate the quality of the contract, its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure carefully before concluding the le. Tax benefits are subject to changes in the tax laws. Unique no. 109L036V01 Birla Sun Life Insurance Company Limited, 6th Floor, Vaman Centre, Makhwana Road, Off



REUTERS

Terrorscope Trains South

by Dhanya Krishnakumar

IT hubs seem attractive targets for terror groups

FOLLOWING THE FOILED ATTACK ON THE BOMBAY Stock Exchange and the subsequent arrest of six Lashkar-e-Toiba (LeT) terrorists on 10 Feb 2008 by UP's special task force, Bangalore has once again come back into focus as a target for terror attacks.

The confessions of those arrested reveal that their initial target was the Indian Space and Research Organization (ISRO) in Bangalore in 2005, and one of the LeT operatives, Sabaudin, who has confessed to his involvement in the terror attack on Indian Institute of Science (IISc), has now admitted to conducting a recce at the ISRO campus. But the heightened security and his inability to strike a rapport with members of the security team forced his team to abandon the proposed attack on ISRO and look at other possible locations. Sources say, Sabaudin even confessed to have carefully studied the time taken by city transport to reach ISRO, and also the time required to travel from the ISRO campus to his house. And the confessions and chilling revelations continue even as a team from Karnataka heads to UP to assist in the investigations.

South India has overnight emerged as the hub of terrorist groups waiting to strike. Anti-terrorism experts warn that attacking Bangalore would be a logical step for the jihadis at a time when India is becoming an economic power and, therefore, IT hubs like Bangalore, Chennai and Hyderabad seem attractive targets. And the recent unearthing of terror training camps in the forests bordering North Karnataka following the arrests of Mohammed Ghouse, Asadullah Aboobaker and Mohammed Asif in Bangalore has merely exposed how deep the terror network has penetrated some of the southern cities.

Interrogations have also revealed that the real threat comes not from Kashmiri militants but from local Kannadigas who are being indoctrinated into joining terror groups. Bangalore, the coastal areas and Gulbarga region are the most terrorist-infested areas in the state. These areas have become a hub for terrorists from Pakistan, Bangladesh and Gulf countries.

The worrying fact is that the police and intelligence agencies are not equipped to deal with the rising terrorist activities. In 1992, the State administration constituted The Anti Terrorist Squad to deal with terror. But so far other than being rechristened as the Anti Terrorist Cell (ATC); and growing from a one-man army to a unit with three people, not much progress has been made. Unlike the Mumbai ATC, which has a dedicated team of trained officers who focus on curbing terror in the state and country, the Karnataka ATC is only a coordinating agency. According to officers, the state ATC merely collates information and passes on the alerts to the state police who have the jurisdiction to act on the information.

"Karnataka emerging as a new base for such terrorist activity is not a healthy sign for the people, the industry or business," says N. Reghuraj, chairman of CII (southern region). "We will meet the government soon, with requests to come out with a suitable policy to prevent any more mishaps and future problems."

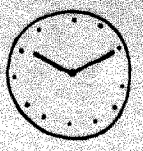
Bottom line, even as the shocking revelations of terrorist activities in the state keep flowing in, it's high time the police and political establishments in the state formulate a strategy to handle the looming crisis without brushing it under the carpet till tragedy strikes again.

GROPING IN THE DARK: The Karnataka ATC lacks the power and resources to act on any intelligence

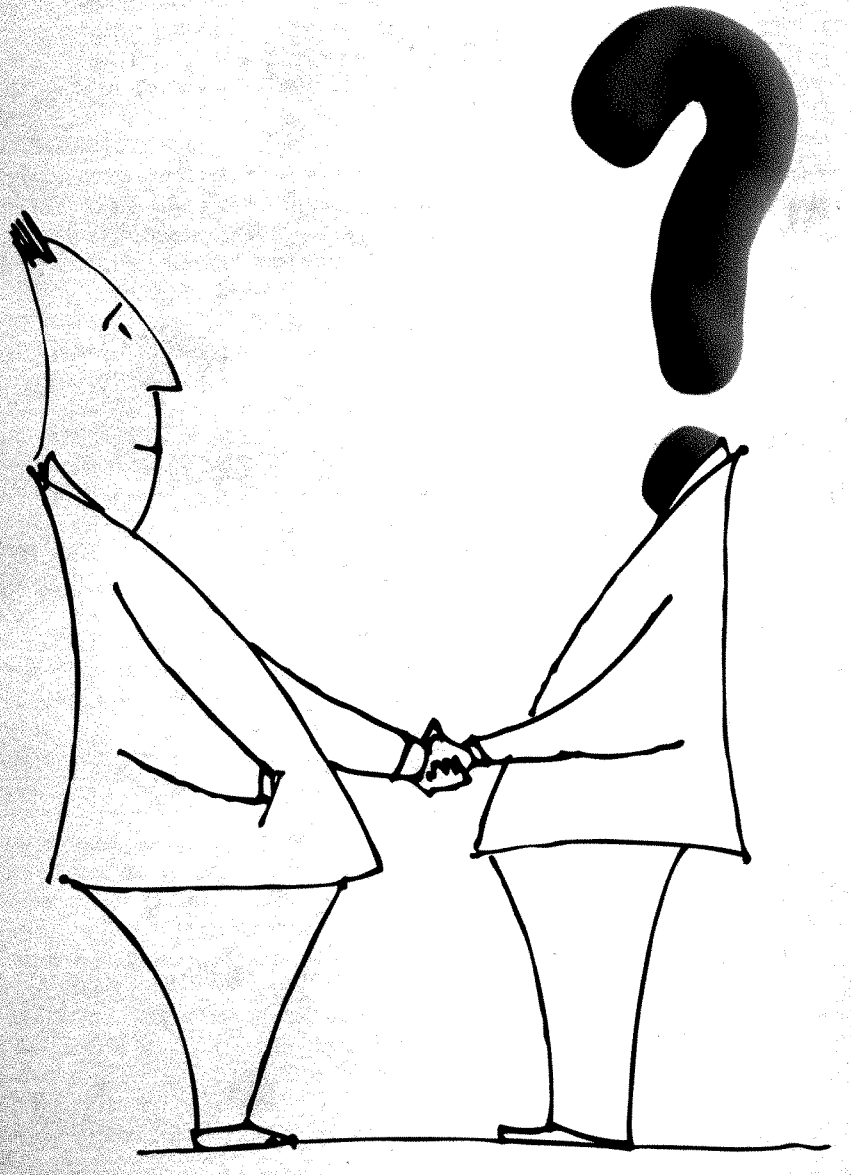
dhanya.krishnakumar@abp.in

Microsoft

HOW WELL DO YOU KNOW YOUR IT PARTNER?



Your business, like every relationship needs to stand on a rock solid foundation of trust. Naturally, your partners and suppliers play a huge role. But can you really trust them to give you the best? Make sure your IT partner provides you with only ORIGINAL Microsoft® software.



Microsoft has taken legal action against the following resellers indulging in hard disk loading of unlicensed Microsoft software:

Target Computers
Bangalore

KMSN Systems
Chennai

Prior Computers
Mumbai

Indra Tech
Pune

Reliable Tech
Pune

Creation Computers
Bangalore

Supreme Peripherals
Delhi

Computer House
Jaipur

Sri Durga Enterprises
Secunderabad

Sam Computers
Secunderabad

ask for original Microsoft® software

www.askfororiginal.com

In case you find anyone selling or distributing pirated software, please inform us immediately. Call us at these numbers, **Toll free: 1800-111-100 (MTNL/BSNL)**, **1800-102-1100 (Airtel)** or **Toll: 080-4010-3000**. © 2008 Microsoft Corporation. All rights reserved. Microsoft is a registered trademark of Microsoft Corporation in the United States and/or other countries. The names of the actual companies mentioned herein may be the trademark of their respective owners.

FIVE ways to buy original Microsoft software from **askfororiginal.com**

With a New PC | Buy Online | Dial-a-Software | Locate a Store | Volume License

McCann/MSFT/14

Withdrawal Symptoms

by Rajesh Gajra

The drop in demand between yesterday's and today's IPO market

OVER THE PAST TWO WEEKS, A SURFEIT OF TEA AND coffee has been consumed, all thanks to the turbulence in the initial public offering (IPO) market, otherwise known as the primary market. Investment bankers and promoters of companies have been spending their days holding long meetings in the midst of their IPO offer periods to decide whether to abort planned IPOs, due to the sudden withdrawal by investors of all stripes: retail, high net worth individuals and even institutional investors.

Blame the meltdown in global equity markets in January - in the middle of a colder than normal month. But how much of a link is there between the secondary markets that saw huge losses, and the primary markets, where capiutal is being raised for ostensibly good projects? "Sentiment is a common thread between primary and secondary markets," says Pankaj Vaish, MD and head of equities and fixed income liquid markets at Lehman Brothers in Mumbai. "Aggressively priced IPOs and those with massive oversubscriptions, without full financing, can signal that perhaps the market is getting too hot, as they did most recently."

While the weather has gotten warmer, the once red-hot IPO market has been reduced to cold ashes. In what under normal conditions would have been a breeze, three high-profile IPOs — Wockhardt Hospitals, Emaar MGF Land and SVEC Constructions — had to first revise their pricing downward, then extend the dates on which subscriptions would close.

The price revisions were not small either; they ranged from 10 to 20 per cent, and issue closing dates were extended by two to five days. But all to no avail. Despite all the tea and the burning of midnight oil, all three of the aforementioned companies had to withdraw their IPOs due to complete lack of investor interest.

"The potential reputation risks to our clients were weighed in the context of the loss of credibility that it will suffer if at the close of the IPO bidding period the issue was not even fully subscribed," says an official of one of the leading investment banks involved with the Emaar IPO who did not wish himself or his firm to be identified.

Emaar revised its book building price band from Rs 610-690 to Rs 530-630 and then extended its offer period of 1-6 February to 11 February. At the close of subscription on 8 February, subscriptions from FIIs and domestic institutional investors were just 29 per cent; the retail segment met 47 per cent of its quota, and the non-retain non institutional investor category: 78 per cent. The lukewarm response from FIIs scared the company and its book running lead managers, Enam Securities and DSP Merrill Lynch, enough to withdraw the issue on 11 February. The Wockhardt Hospitals IPO fared even worse, collecting just 6 per cent in its institutional investor quota, 51 per cent of retail investors and just 5 per cent in the third category.

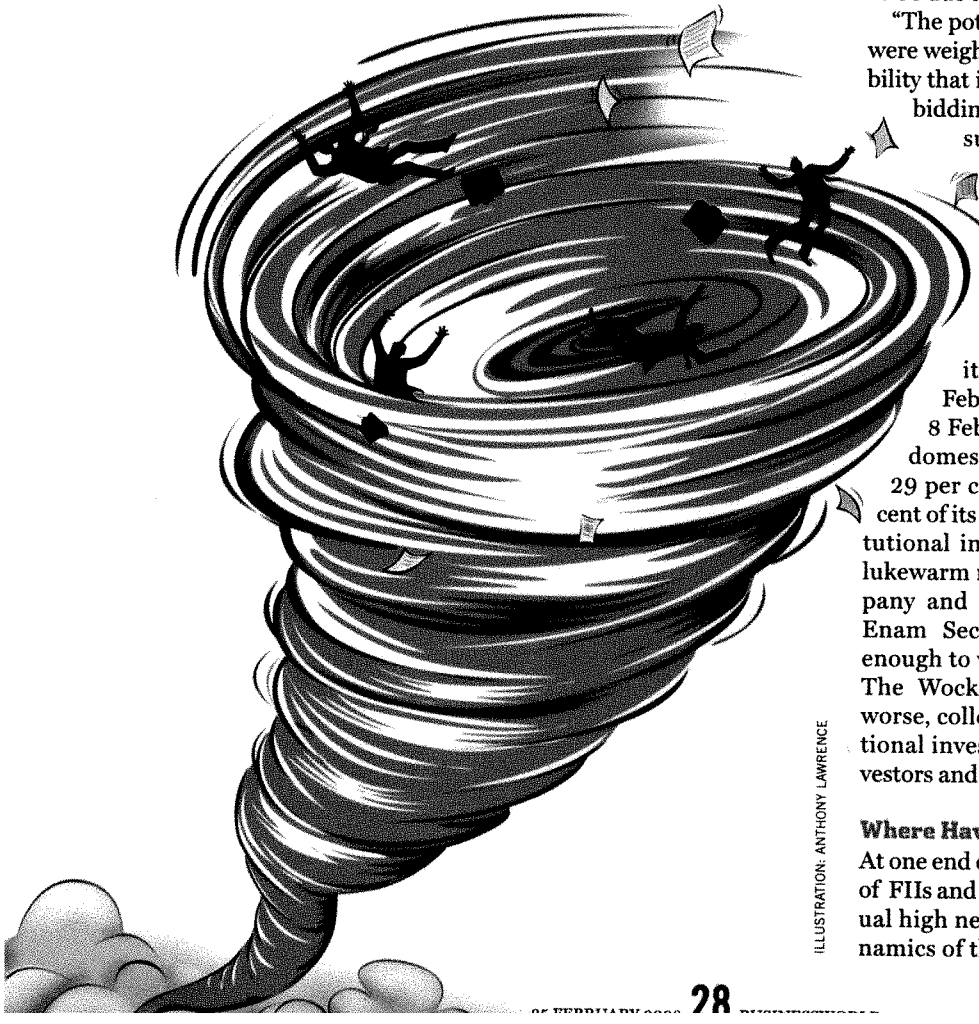


ILLUSTRATION: ANTHONY LAWRENCE

Where Have All The Investors Gone?

At one end of the spectrum, at the trading desks of FIIs and the homes or workplaces of individual high net worth or retail investors, the dynamics of the analysis of the fundamentals of

the IPOs was undergoing a subtle transformation. "Realisation is dawning on many investors that IPO valuations may be on the high side," says Stuart Smythe, executive director and head of equities, Macquarie Securities India. "They are becoming rational now and their risk appetite has been moved by recent global market weakness." In these times of increasing volatility across all markets, the preservation of capital and managing existing positions becomes a priority for global equity fund managers, rather than trying to build new positions, he adds.

For retail investors, the Reliance Power IPO was a rude wake-up call about the vagaries of the market. The stock was expected to list at close to Rs 1,000, going by the trade in the grey market. While it did open higher than the offer price of Rs 450 on 11 February, by the end of the trading day it closed down much lower. Secondary market behaviour since then has been erratic; the Bombay Stock Exchange Sensitive Index (Sensex) has been behaving like a yo-yo.

One segment that has been severely affected are the leveraged HNIs (high net worth investors) who took severe losses on IPO bets gone wrong, particularly Reliance Power IPO. Even as *BW* goes to print, there are settlement problems in the grey market, with investors unable or unwilling to pony up on the wrong bets they placed. For HNIs, the IPO market is going to be off-limits, at least for a while.

The Ripple Effect

The withdrawal of three high profile IPOs has severe implications for the equity market. "The IPO market is important from the economic perspective; it gives opportunity for companies to raise resources and acts a channel for investors to invest in such companies," says Devendra Nevgi, CIO of Quantum Asset Management, managers of Quantum Mutual Fund. "When companies withdraw their IPOs you have to ask whether they really required the money in the first place."

The second question that looms large is one of valuation. The fact that majority of IPOs in the last year have listed at a 10-100 per cent premium over the offer price raising questions about whether the fundamentals of the business and the markets justified the price. "If an IPO is priced at a premium to regional and local peers, global money managers struggle to justify assessing a new offering at a premium, when their existing holdings are at discount, or comparables are trading at fairer values than a new offering," says Macquarie's Smythe. For instance, the price to earnings ratio of Emaar, a realty company, was much higher than the listed realty stocks like Unitech and DLF that had fallen steeply in the secondary market slide.

IPO torpedoed

RECENTLY LISTED IPOS HAVE TAKEN A HARSH BEATING FROM THE MARKET

	Issue size (Rs crore)	Issue price (Rs)	Listing date	Listing day's price (Rs)	Price on 12 Feb (Rs)
J. Kumar Infraprojects	72	110	12-Feb-08	100.1	100.1
Reliance Power	10123	450	11-Feb-08	416.8	356.1
Future Capital Holdings	490	765	1-Feb-08	882.0	873.8
Precision Pipes	75	150	11-Jan-08	142.8	80.6
Manaksia	248	160	8-Jan-08	178.9	83.3
BGR Energy Systems	438	480	3-Jan-08	898.8	576.8
Brigade Enterprises	647	390	31-Dec-07	382.4	270.3
Transformers & Rectifiers	139	465	28-Dec-07	727.9	473.5
Jyothy Laboratories	304	690	19-Dec-07	790.7	694.5
Kolte Patil Developers	276	145	13-Dec-07	187.6	128.1
Edelweiss Capital	691	825	12-Dec-07	1525.2	856.9
Mundra Port and SEZ	1769	440	27-Nov-07	984.7	681.4

Source: NSE, *BW* Research

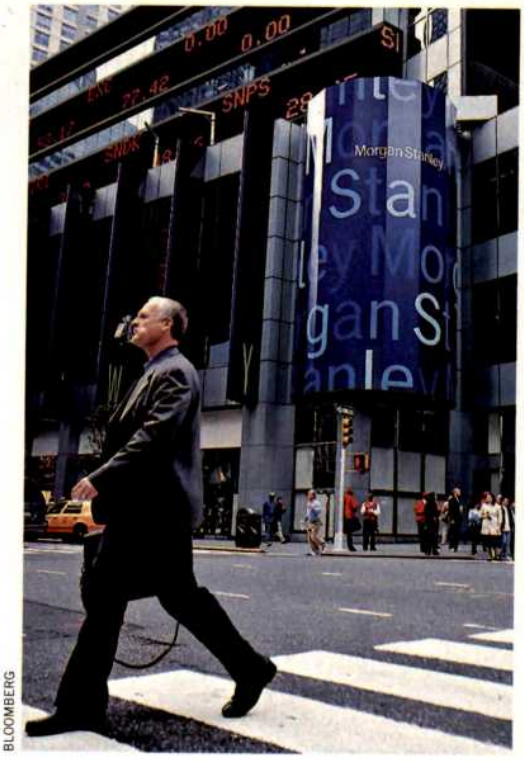
Will Sanity Return

The secondary market prices of newly listed IPOs have also seen a correction in their prices (see 'IPO torpedoed'). The most dramatic case was the Rs 10,123 crore IPO issue of Reliance Power. Issued at Rs 450, with a discount of Rs 20 for just the retail investors, it got listed on 11 February. It was the first big IPO in recent history that traded at a discount to the issue price on the day of listing. Its average traded price on the National Stock Exchange was Rs 416.80.

"We buy IPOs on the basis of rock-star like chief executives, rather than reading the offer documents about associated risks," said an investment banking official of a global investment bank. "IPOs are the high beta version of the secondary market." Beta is a measure of a particular stock's volatility in relation to the market. High betas imply high volatility, which explains in part, post-IPO performance of some stocks.

Though not completely unexpected, the dramatic withdrawals of IPOs have bought the investment bankers to some senses. So will things change? Lessons have been learned, and taken to heart. But as a laboratory for the study of human behaviour - in particular, the triumph of temptation over reason - the field of money management and 'investing' has much to recommend it. A study of people who bet regularly on horses showed that more information increases bettors' confidence in their bets, but not their accuracy. So change is unlikely.

rajesh.gajra@abp.in
With inputs from Srikanth Srinivas



BLOOMBERG

SUBPRIME BLUES: Morgan Stanley reported a loss of $3.61 billion in the fourth quarter of 2007

Collateral Damage

by K. Yatish Rajawat

US banks are seeing red over their captive units in India

THE SUBPRIME CRISIS IS NOT ONLY ERODING THE balance sheets of US's banking majors, it is also having a damaging effect on their captive operations in India. Banks such as Morgan Stanley and Citigroup, which are bleeding to write off their collateral debt obligations, are looking at various funding options to bridge the gap.

While sovereign funds have bridged some of the gap by acquiring equity stakes in these banks, the hole is too large to fill. So, the banks are looking at selling their captive business operations in India. The valuation for a BPO company in India is high, and banks are hoping that they will be able to realise the gains on the sale of these captive operations. Morgan Stanley reported a loss of $3.61 billion in the fourth quarter of 2007. It also lowered the value of its subprime holdings by $9.4 billion in two write-downs, and sovereign wealth fund China Investment Corp pumped in $5 billion to acquire a stake in it. Similarly, Citigroup reported a loss of $9.83 billion with a write-off of $18.1 billion. These are staggering losses and they are unlikely to be bridged by the sale of captive units.

But the sale or the valuation for these captive units are not easy to realise. Citigroup has been trying to sell its BPO operations in India for almost a year now, but has not been successful so far. A captive can only be acquired by one of the Indian third-party BPO service vendors; foreign BPO companies are not interested in these operations. It's a difficult sale not because of the valuation, but because of the complication involved. Captive operations are run as cost centres and there is no focus on profitability. Their objective is to provide certain back-office operations to the parent company in the US or Europe. The focus is on quality of service, and the service level agreements (SLA s) are high and demanding. When a third party vendor plans to take over these captives, the revenues and profits for each process have to be calculated. The SLAs and the liability on not achieving them also have to be reworked since third-party vendors do not like unlimited liability.

Calculating the revenues is a tedious process and is quite unlike the routine due diligence process carried out for acquiring a company. Moreover, real agreements with realistic SLAs have to be signed with the parent organisation to fix the revenues, profitability and liabilities. As this has to be done for each process and there are several hundred processes in each captive, it takes a long time to come to a number. Every process and the revenues or billing for it has to be renegotiated with the parent company, which is not an easy task as the parent is bleeding and is trying to control costs, while the acquirer or the third party vendor is looking for profits. So while the intent may be there, it is unlikely that a sale will happen anytime soon.

In a nut shell

- The subprime crisis had damaging effects on the captive operations of US banks, such as Morgan Stanley and Citigroup, in India.
- These banks are looking at selling off these business operations in India.
- However, the sale or the valuation of these operations is not easy to realise and the banks are left struggling.
- The processes involved in the sale are numerous, tedious and long-winded, thus, making it difficult for the sale to take place.

yatish.rajawat@abp.in

EPSON
EXCEED YOUR VISION

IT GETS LONELY ON TOP

ESPECIALLY WHEN YOU'VE BEEN THERE FOR 6 YEARS

Epson Multimedia Projectors have been the World No.1 for 6 years. The market share figures will tell you that we're ahead by leaps. What they don't is that we're also way ahead in providing a truly spectacular imaging experience. With the pioneering 3LCD system, cool wireless technology, superb reliability, easy use, great price and much more, it's obvious why.

3LCD

Epson Multimedia Projectors
THE WORLD'S NO.1*

*Consecutively for 6 years. Source: Worldwide Market Share 2006, Decision Tree Consulting Limited

Email emp@eid.epson.co.in
Epson Helpline: For product info and service - 1800 425 0011 (9AM - 6PM) . For service (CDMA & Mobile) - 3900 1600 (9AM - 6PM) (Mon - Sat)
www.epson.co.in

Times In PR Mode

by Gurbir Singh

MANY YEARS AGO, A PHOTOGRAPHER AT *THE TIMES of India's* Mumbai supplement, *Bombay Times* was found planting pictures as a quid pro quo for other gains. The photographer was shunted out quietly but it sparked a brainwave in Bennett, Coleman & Company's (BCCL's) think tank. If there are revenues being generated from editorial content, then there is a market out there that somebody else is tapping. Times' folklore has it that the incident gave birth to Media Net, Bennett Coleman's internal agency that negotiates promos as editorial placements for a fee.

The ethical implication of private treaties is being hotly debated

Coming A Full Circle

The road that began with Media Net and traversed the virgin fields of private treaties, has done a full circle, and has now spawned Tatva Public Relations — a new 33:67 joint venture between Bennett, Coleman and Mumbai-based public relations firm Adfactors PR. The joint venture was the result of an 18-month hunt. An investment banker was appointed who took in pitches by several public relations firms before Adfactors was chosen.

"The Adfactors joint venture is not exclusive," says Sunil Gautam, chief executive of Mumbai-based public relations firm Hanmer & Partners. "With BCCL targeting investment deals in 1,500 companies over the next few months, the media house is expected to ink a few more joint venture deals with other public relations companies too." Media industry sources said similar joint ventures were being planned with advertising companies too.

Expectedly, there is a howl of protest that BCCL, the largest news and media company in India, promoting a public relations agency, is a conflict of interest. Times and Adfactors insist that the debate has been fuelled by sections of the media keen on 'Times-bashing' even though they have their own version of Media Net and Private Treaties.

The Tatva plan is audacious, but in sync with the philosophy of Times Private Treaties (TPT). Started in 2006, TPT is a division of Bennett, Coleman that trades a stake in companies in return for providing advertising and branding.

Typically, TPT invests in companies that have achieved some critical mass but don't have the necessary financial clout for marketing and promotion. The TPT website reveals 112 companies in which BCCL has bought a stake through this route, though the number is believed to be closer to 160. BCCL's investments through this route are currently valued at a little over Rs 1,500 crore.

Private Treaties is both, a huge business success as well as a big blow to the traditional separation of news and advertising. As a method of

cashless acquisition of equity in blue chip, mid-size companies leveraging its media penetration, Times is seen as a pioneer.

On the editorial front though, it has attracted criticism for blurring the lines between editorial and advertising content. That other media companies such as HT Media and *Dainik Bhaskar* have gone the Times way in recent months shows that business tatvas have gained preponderance.

"Private Treaties eases the cash flow constraints on a company to devote resources to its brand building initiatives...," says the introductory pitch of the TPT website. "As a treaty partner, your company can also avail of a bouquet of professional expertise within the Private Treaties Department."

Private Treaties companies include mid-size companies such as Pantaloon, Apollo Hotels and Paramount Airways, but also large real estate companies such as Emaar MGF and HDIL (Dewan Group) and big gems and jewellery players such as Gitanjali and Rajesh Exports. Many of these companies, especially the realty companies, are new to marketing and branding strategy and expect TPT will give them a leg up in exchange for a stake.

Shiv Kumar, director of TPT, did not respond or return calls. Ravi Dhariwal, CEO of Bennett,Coleman, in an earlier interview, said the Private Treaties philosophy was to deliver not just visibility to its partners but branding and marketing solutions.

It is in this context, the latest offering, Tatva Public Relations, has to be seen. Companies that need an 'image makeover' and an aggressive media pitch will be recommended to engage the services of the captive public relations firm.

"Revenue from Tatva is incidental," says Hanmer & Partners' Gautam. "Times has a direct interest in buttressing the value of these companies it has invested in and a public relations company can make a difference. There is no conflict of interest." But Tatva and the other public relations joint ventures it sets up will also be a significant profit centre for Bennett, Coleman. In devising the branding strategy for a Private Treaties client BCCL, through Tatva, will be a direct beneficiary of the client company's marketing and public relations investments.

"A Private Treaties company is free to use any other public relations firm, but we expect the small and mid-size companies to come to Tatva," said an executive of Adfactors PR, the majority shareholder in Tatva Public Relations. "Tatva is a special purpose vehicle (SPV) to provide customised, cost-efficient communication services for Private Treaties clients. It is like an investment banker or a PE fund recommending that a company it is working with use the services of a particular public relations firm," the Adfactors executive preferring anonymity added. Why did BCCL not just hire one or more public relations firms to pitch private treaties companies. Pat came the Adfactors reply: "Equity in the public relations joint venture shows BCCL's commitment."

Setting Expectations

There is another side to Tatva too. There is considerable pressure on the Times Group from its Private Treaties partners to deliver. The equity-for-branding deals signed by the two sides promises advertising and promotion by the Times Group, but explicitly states that editorial content cannot be guaranteed.

Despite these clauses, Private Treaties clients expect editorial returns in the form of plugs and stories. This has led to some tension between partners as surveys indicate that other business newspapers very often gave more coverage than Times Group newspapers to Private Treaties clients.

"We have pointed out that real estate in the Times newspapers is pricier than in a *Business Standard* or a *Businessline*," said a senior Times functionary. "Editorial is not part of the deal, but there is an expectation," he added.

Within Times there has been considerable debate on the continuing violation of the editorial space. For instance, a series of face-offs with editors had finally led to Media Net executives being limited to creating rate cards for editorial content only for supplements such as Bombay Times and not for the main paper. In this context, Tatva PR will plan and execute the needs of Private Treatise clients more comprehensively across non-Times media, while providing Times' editors and administrators a buffer from pressure of these corporate partners.

For BCCL, the joint venture to create a captive public relations outfit may be just one more link in the chain of leveraging its near monopolistic hold over some media platforms. But for the two-decade old Adfactors, with annual billings of over Rs 200 crore, the Bennett, Coleman partnership is a huge break to make it to the big league. "We do not know how big the revenues will be from this captive agency; as a business plan it is significant and novel," an Adfactors executive said.

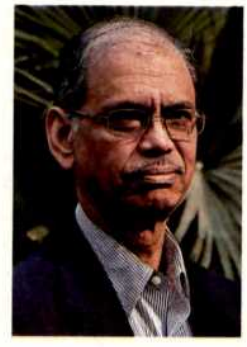
Finally, for those attempting to chart the course of change in news media, these developments throw up both challenges and concerns.

gurbir.singh@abp.in

India Back In Global Chain

by nayan chanda

INDIA, ONCE A CRUCIAL LINK IN THE ANCIENT global supply chain, has a new opportunity to join the most advanced global manufacturing network. The recent deal between Boeing and Tatas' wholly-owned subsidiary, TAL Manufacturing Solutions, to supply a critical part used in the next-generation Boeing-787 Dreamliner, tells a bigger story. Scrambling to prevent further slippage in production schedules caused by supplier delays, Boeing's choice of Tata grants the group recognition as a world-class engineering power. The deal also highlights the competitive environment of global manufacturing in which Tatas' technological and managerial skills will be tested. Because of Boeing's offset obligation that requires it to spend a percentage of the contract value in India sourcing goods and services from Indian companies, it may look for more such deals.



The Tata-Boeing deal is the latest in India's history of participating in the global supply-chain network

Ever since Boeing unveiled plans for its state-of-the-art B-787, it has been a runaway seller. Even before its construction or maiden flight, Boeing has chalked up a record order of 855 planes at some $160 million apiece. In a time of growing environmental concerns and rising fuel costs, the aircraft promises 20 per cent fuel economy, quieter engines and less pollution by using composite material and efficient design. Boeing also achieved economy by its ambitious outsourcing of design and manufacture. Nearly 60 per cent of the aircraft will be built by partners in Japan, France and Italy, and subcontractors. Boeing even converted 747 jumbo jets to create a monster called 'Dreamlifter' to ferry the huge fuselage and wings from suppliers to assembly points in the US.

Thanks to the efficiency of the global supply chain, Boeing claims that a small team of engineers in Everett in Washington will be able to put together one 787 in just three days. Boeing's outsourcing strategy allowed it to spread risk by having partners invest in building component manufacturing facilities, and pick up the tab for design while inducing countries with a stake in the 787 to place orders. Its prime partner, Japan, placed the first order for 50 aircraft. India has ordered 27. The prospect of selling billions of dollars worth of military aircraft to India cannot be far from Boeing's calculation.

However, in December last year, an embarrassed Boeing announced a second delay in its scheduled launch, pushing back delivery dates by almost a year to early 2009. The company blamed the failure on late delivery and sub-standard work on the part of some suppliers. Mike Bair, the recently removed head of the 787 programme, admitted misjudging the ability of some of the suppliers. "Some of these guys we won't use again," he said. One such partner might well be the Israeli supplier of Boeing's American partner Vought Aircraft Industries, which were contracted to produce floor beams — the same components that Boeing has now ordered from Tata.

Boeing's latest deal in India draws Tata into its exclusive club of 787 manufacturers. The late induction is predicated on the company's reputation for world-class management and innovation. A key new feature of the 787 is its light but tough fuselage and wings made mostly of carbon fibre-reinforced composites instead of aluminum. Tata will be making its first major foray into the aerospace industry by manufacturing floor beams using titanium and composite materials. If Tata can meet the challenge of the complex, high-precision production and the tight deadline, it will not only burnish its reputation as industry leader but open up other opportunities. Experience in manufacturing light composite materials could eventually help Tata develop lighter, safer, and more eco-friendly automobiles.

The Tata-Boeing deal is only the latest in India's long history of participating in global supply-chain manufacturing. Centuries ago Arab traders also came to India to commission the building of ships using India's ample supply of hard wood and coconut coir. African ivory was shipped to India for carving into jewellery and icons that were exported to Europe, as were sheets of bronze and copper for making utensils and *objets d'art* by India's famed craftspeople. The scale of production then was minuscule and the turnaround time stretchable. The supply chain was small, and as the prime manufacturing country that once accounted for 24 per cent of the world's GDP, India held sway. After a long hiatus, India again has a shot at playing a key role in an emerging high-tech global production system.

The author is Director of Publications at the Yale Center for the Study of Globalization and Editor of YaleGlobal Online. boundtogether.bw@gmail.com

Colours work
because they talk to the heart.

Ricoh presents a range of best-in-class Colour MFPs that use the emotional impact of colour to your advantage. So that your business propositions can effortlessly work their way into the hearts and minds of your associates.

KEY FEATURES: Standard printer & scanner • Built-in duplex & ADF • In-house finishing
• Remote retrieval & editing of files • Security through encryption & authentication
• PictBridge support • High-speed, low-cost B/W printing too

No.1 Colour MFP in U.S. & Europe

RICOH

• Colour & B/W Multi-Function Products (A0 to A4, 135 to 16 ppm) • CopyPrinters • 99% up-time
• Nationwide service network

| PRINT | COPY | SCAN | FAX |

CORPORATE OFFICE: 52-B, Okhla Industrial Estate Phase III, New Delhi-110020; Tel: 011-41613010-18; Fax: 011-41612221; Website: www.ricoh.co.in; Email: ril.info@ricoh.co.in; **SMS 'RICOH' to 53456.**
BRANCH OFFICES: Ahmedabad: 26582883, 26588709; Bangalore: 41477620/21, 22248829/30; Chandigarh: 2710162, 2701984; Chennai: 30212121/22; Coimbatore: 2493948, 2496276; Delhi: 23353488, 41731867, 23312001, 41731860; Guwahati: 2635311, 2543591, 2602949; Hyderabad: 39185081/82, 39101898; Jaipur: 2707028, 2706299; Kochi: 2353274, 2352266; Kolkata: 22101634, 22488641/42; Lucknow: 3237048, 2239189/76; Mumbai: 67032095, 22883042; Patna: 2222830, 2201490; Pune: 30580149/53/54; Ranchi: 2331426/069; Visakhapatnam: 2553466, 2754968.

resonance RI7007

The Great WAR

M. Rajendran

New players challenge old czars as telecom turns into a game of power, money and manipulation

EXECUTIVE SUMMARY

- Telecom sector is alluring not because of valuations alone, but also because of the power it promises
- There is a crowd of ambitious contenders who want to ride to glory on the back of changing policy atmosphere and technological advances

IT HAS NEVER HAPPENED BEFORE. About 10 of India's richest and most powerful men, led by the top four on the list, are going head-to-head in a battle to take control of your cellphone. At stake: more than $250 billion, plus the fuzzy feeling of getting into bed knowing you're the reason hundreds of millions of people can talk to each other all the time. And that the data business needs to keep flowing even when people are on the road, and it does so because of you.

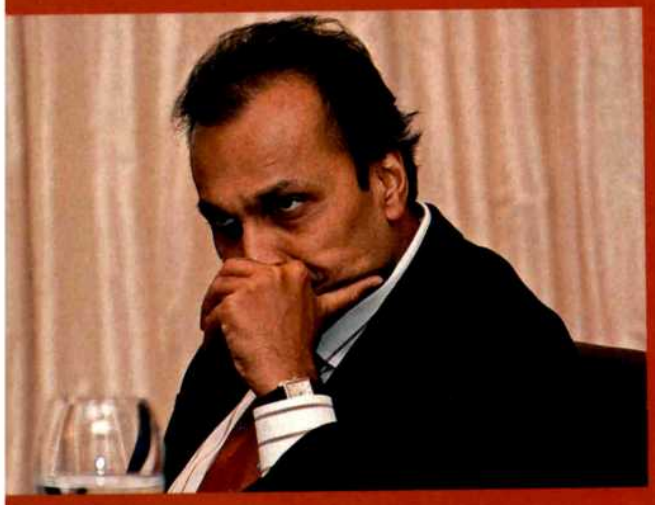
It's a strange line-up. In one corner are the scions: the youthful and thoughtful Kumar Mangalam Birla, a fourth-generation billionaire, and his estranged but one-time 'uncle' Ratan N. Tata. Then there is today's marathon man, Anil Ambani, and the not-so-new kid on the block, Sunil Bharti Mittal, the only one of the original telecom entrepreneurs who has survived to make it into the big league. Squaring off with these money men, is a faceless but powerful bureaucrat, Kuldeep Goyal of BSNL; a professional CEO betting his career on India's mobile market, Arun Sarin of Vodafone; and a couple of new and potentially powerful entrants, including the Chandras of Unitech.

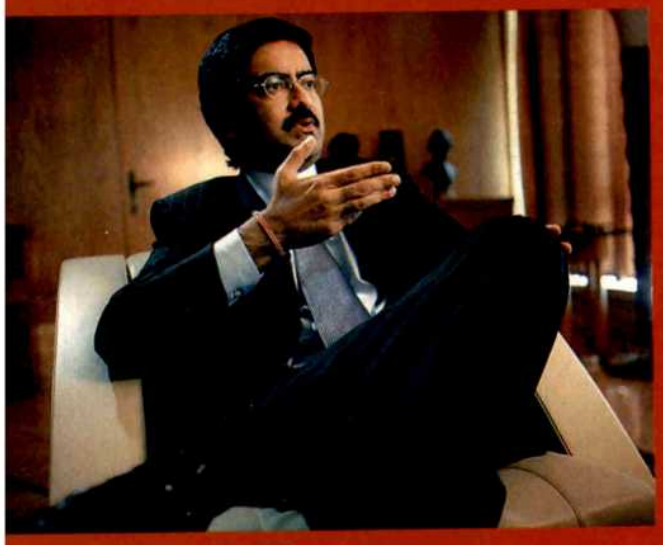
Together, these unlikely players are acting out a somewhat predictable script, one that has shaped many industries in India. First, there is the manipulation of public policy required to gain entry into a regulated industry. Then comes the collective jostling between players for superior positions vis-à-vis each other. Following this are the expensive ad campaigns and marketing warfare necessary to get consumers to pay big bucks for shoddy services that cost relatively less in most other countries. And finally, the market speaks and there is a winner. But, of course, we're not there yet in telecom. The field is still wide open and the war is still too close to call.

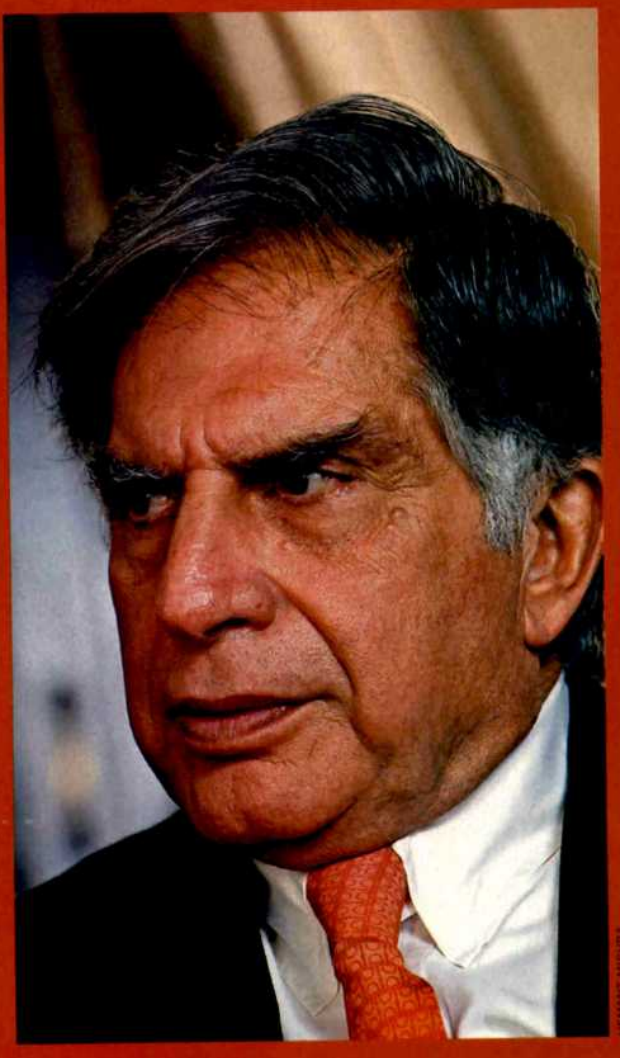
Skirmish Redux

Ratan Tata's quiet voice and gentle manner don't mark him out as a man in a hurry. But he is. After five years of fumbling his telecom strategy, Tata, who has invested Rs 10,000 crore in the industry, is determined to succeed in it. "Tata Teleservices has a sad history," Tata told *BW*. "We have had our own problems in terms of the wrong CEOs. Now we have got an aggressive person in Anil (Sardana)... and we are more entrepreneurial than we were."

Sardana, the bespectacled, professorial gen-

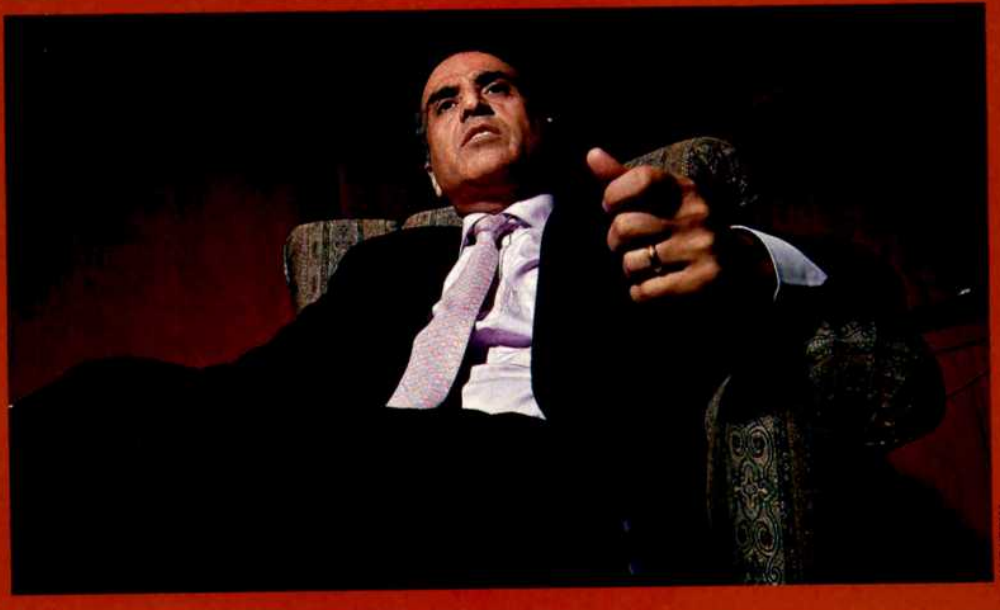






HEMANT MISHRA

THE TITANS: (Clockwise from top left) Anil Ambani, Ratan Tata, Sunil Bharti Mittal and Kumar Mangalam Birla. These unlikely combatants are locked in a battle to manipulate public policy, jostling between themselves for superior positions, mounting expensive advertising campaigns and launching aggressive marketing warfare.



AMIT VERMA

The pecking order

BHARTI AIRTEL RULES IN SUBSCRIBER BASE

Company	Revenue	Subscriber base	Valuation (approx.)
Bharti Airtel	18,520	60	$40 bn
Reliance Comm	4,874	44	$30 bn
Vodafone Essar	NA	44	$28-30 bn
BSNL	39,750	33	$55 bn
Tata Tele Services	NA	24	$16 bn
Idea Cellular	5,694	21	$18 bn
Spice Comm	28,522	3.5	$1.5 bn
MTNL	1,220	3	$3 bn
Shyam Telelink	160	2.5	$116 mn
HFCL Infotel	NA	0.4	$90 mn

Revenue in Rs crore, subscriber base in million

eral fighting Tatas' telecom battle and Tatas' regulatory advisors in New Delhi are being uncharacteristically aggressive for the group. Sardana is indignant about how his competitors have manipulated regulations in New Delhi, and publicly accuses many of them of hijacking India's telecom policy. The man who has foxed Tatas, as well as a host of other telecom wannabes, including initially even the Ambanis, is Sunil Mittal. He, along with Vodafone Essar (earlier Hutch Essar, when it was owned by the Ruias), was an early entrant into the industry and took advantage of the government's ignorance of the sector to secure an unassailable position for himself. Mittal's game was simple and he's still playing it. The mobile phone industry is dependent on the spectrum (or airwaves) that carry mobile phone signals at various frequencies. Mittal, along with Hutch/Vodafone, made sure he cornered as much of this scarce and limited resource as he could at the cheapest rate. While spectrum cost the earth in most countries, Mittal and the Ruias of Hutch/Vodafone made sure they got their spectrum at just Rs 1,651 crore for 4.4 Mhz, roughly 10 per cent of the price for the equivalent spectrum in the US (see 'Charge!', *BW*, 10 December 2007). When Tata pointed this out and offered to pay more, Mittal mocked him by saying those with excess money should donate it to the Prime Minister's Relief Fund. Such dominance over regulations has irked Tata the most, mostly because his values prevent him from playing the same game.

Also in Tata's predicament, but unable to partner with him because of mutual differences over wider issues, is Anil Ambani. In a letter to Prime Minister Manmohan Singh on 6 November 2007, the Reliance Communications chairman alleged that "large existing GSM operators" had deprived "the government of revenues of an estimated few thousand crores of rupees in direct and indirect taxes". He wrote they had "unjustifiably taken away precious and scarce spectrum in the past: free of cost, far in excess of their actual requirement of 6.2 Mhz they were entitled to under their licences".

Interestingly, Idea Cellular, which Birla took control of after buying out Tatas' stake, also benefited from the government's pro-GSM policy. But it has maintained a low profile in New Delhi even as the Bharti-Vodafone combine went into heated conflict with Tatas and Reliance. Their success in turning the battle on the policy front was obvious after new Telecom Minister A. Raja took a series of steps to undo the Bharti-Vodafone virtual oligopoly.

For one, Raja issued Letters of Intent for GSM licences to Tatas and Reliance, and also new players such as Unitech, at the same cost. More significantly, whereas Mittal's policy control had restricted Tatas and Reliance into offering consumers only CDMA-based services (except in eight circles of north-east where Reliance Telecom is operating), Raja has now allowed them to offer GSM-based services too. While CDMA technology was once seen as outdated and a bane for both companies, the combination of CDMA and GSM technology could give Tatas and Reliance a critical edge in the market. Since CDMA is superior for moving data, the companies will offer users high-speed internet via CDMA phones and laptop cards, and use GSM to give users global voice and roaming services. This "will help them cover a larger segment of the addressable market space", says Vikram Tiwathia, chief information officer of CII's Telecom Committee.

THE NEXT FRONT: Rural India is the battleground where the mobile marketing gurus will face off now

SANJAY SAKARIA

The new policy successes of Tatas and Reliance can be best seen in the advent of number portability, which comes into effect from 1 April. As late entrants, Tatas and Reliance could only really try to win first-time cellphone users. But with number portability, which allows consumers to switch between mobile service providers without changing their number, they will also be able to attack the existing consumers of companies such as Bharti Airtel and Vodafone Essar. Since these operators have many more users than Tatas or Reliance, their networks are clogged. The new operators will be able to attract disgruntled users. "The biggest casualty has been customer services," says Sardana. "The only thing that differentiates the operators and sustains them is the service quality. The quality of survey (QoS) of the biggest player (Airtel) is the worst."

Win Rural, Win Sweepstakes

The battleground where the mobile marketing gurus will face off is rural India as the big four metros — the growth drivers of India's telecom miracle so far — have reached near-saturation point. Chennai, for instance, has already hit a mobile penetration of 80 per cent while Mumbai and Delhi are at around 70 per cent.

While Airtel is focused on leveraging and strengthening its branding, it is also innovating by tying up with shop owners in the remotest corners of the country and bundling information on crop weather, yields, fertilisers, etc. over mobile phones for the rural masses.

Tata Tele, a slow mover in the market, is using the advantage of the Tata Group to widen its distribution. For example, it is using the network of Tata Chemical's rural retail stores to hawk phones and service to consumers already positively disposed to the Tata brand. The initiative aims to attract rural customers who come to buy fertiliser from these stores.

All cellcos are also working with handset makers to attract rural consumers with cheap bundles that will reduce the barriers to signing up as subscribers.

Cellcos are also adopting BSNL's failed Grameen Sanchar Sewak (GSS) scheme in their own way. Under GSS, initiated by former Communications Minister Pramod Mahajan, each postman in rural areas used to carry mobile phones that rural residents in places without landlines could use to make calls. The postmen were compensated with a 20 per cent commission on the calls made while 5 per cent went to the Department of Post.

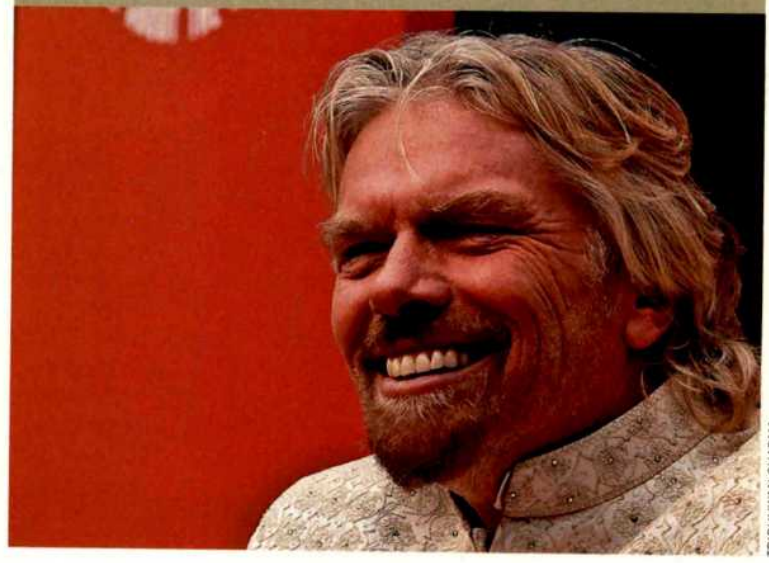
Every player also has aggressive network expansion plans in the hinterland and whoever rolls out its network faster will be best positioned to capture new rural consumers. The government, which aims to connect 100 million rural users, is offering tax breaks to attract companies to build cellphone towers in remote places. So, Bharti Airtel says it will double its cellphone tower capacity to 80,000 by March 2008. Most of the towers will come up in rural areas. Reliance Infratel will raise its tower capacity from 25,000 to 60,000 by March 2009.

The only man whose strategy stands out as contrarian is Kumar Mangalam Birla. His Idea Cellular, which has also begun a saturation ad campaign that uses actor Abhishek Bachchan, will continue to focus predominantly on the urban market. A rural thrust may have helped Idea — India's sixth largest cellco — if it had

THE MAVERICK

RICHARD BRANSON'S Virgin Telecom is likely to launch its service in India. Sources say Virgin is partnering with Tata Teleservices to enter the Indian market as a franchisee. Virgin will use the Tata network and spectrum to offer telecom services. Globally, Virgin is a mobile virtual network operator (MVNO). Tata Teleservices expects Virgin will appeal to the youth segment of the market. The Tatas may share not only their revenues, but also 'lease and depute' a marketing team to Virgin. Tariff plans, though, are not expected to spring any surprises. But Trai (Telecom Regulatory Authority of India) says Virgin cannot start doing business here. "We have not sent any recommendation on MVNO to the government," says Nirpendra Mishra, chairman of Trai.

The Virgin-TTSL tie-up, as and when it happens, will possibly offer the first organised second-hand handset market in India. Traditionally, rural markets demand plain vanilla phones with voice and text features. A second-hand mobile phone fits the bill. Branson has already done this in the US and elsewhere. By Virgin's estimates, in the US alone about 500 million phones are lying dead in drawers. Less than 10 per cent of them will get recycled. If this strategy is taken to rural India, Virgin's red could well become the colour of our countryside.



TRIBHUWAN SHARMA

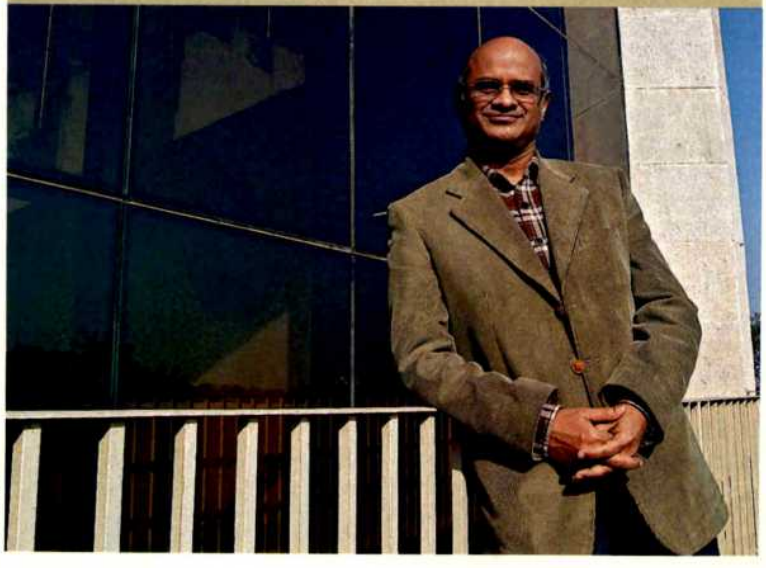
moved fast. But, the company, which has delayed a nationwide rollout, has little choice right now since it lags behind Bharti and Reliance — the largest players in the hinterland. It is also yet to get spectrum in Mumbai and Bihar. Its best option at the moment, perhaps, is to tie up with another operator for infrastructure sharing and, thus, a quicker rollout. Its application for permission to launch services in nine new circles is also pending. "If Idea is not national, it stands to lose roaming customers, and the synergy and benefits of a national player," says a senior executive of Idea Cellular. "In long-term view, Idea will not be able to compete with the other players."

THE BUREAUCRAT

KULDEEP GOYAL, chief executive officer of the state-owned BSNL, is a busy man. He has to add another 100 million subscribers to his network in the next three years, capture about 160 million by 2010, and connect all villages in India with broadband in the next two years. BSNL's current base is 68.5 million subscribers. As Goyal keeps an eye each on his targets and his competitors, he can reasonably expect all of the above to generate a $20 billion (Rs 80,000 crore) turnover for BSNL.

He is, meanwhile, playing the same game as other big contenders for the top slots, Anil Ambani and Ratan Tata. Like Reliance Communications and Tata Teleservices, BSNL can also offer high-end services in both GSM and CDMA. "Soon, we may provide roaming across the country to the subscribers who are on our CDMA platform," says Goyal. Moreover, "We have a head start over others in the rural market. That would be a sureshot winner for us".

The public sector satrap's biggest asset is its large workforce. But it needs to be trained in new technologies constantly. Goyal's toughest challenge still remains procedural delays in procurement of equipment for expansion. BSNL's paper trail of clearances is long-winded and self-defeating. The buck just doesn't stop here.



AMIT VERMA

Valuations Mania

It is this aggressive play by cellcos that has turned India into the world's fastest growing telecom market by subscriber growth. Leading players are reporting unprecedented net profit margins of 25 per cent and above. But more than profits, it is the hefty valuations telecom companies are enjoying that is fuelling the battle to enter and succeed in this industry. For instance, India is nowhere near allocating 3G spectrum, even though the policy was announced five months back. But companies are already counting on the valuation based on the expected spectrum release from the Defence Ministry by June this year.

However, it is not certain these valuations will last. But Sanjay Chandra of realty firm Unitech says, "We have seen worldwide that there are a few businesses that have made a lot of money with a lot of growth. Telecom is one. We meet many investors and keep hearing how Bharti is doing in India, how Mexican and Chinese telecom companies are doing. So, we decided telecom would be an attractive proposition," he says. Despite the impression that India has the lowest tariffs in the world, the fact is that domestic rates are high when seen in terms of purchasing power parity. They are also exorbitant for high-intensity phone users, since cellcos have chosen not to introduce schemes such as unlimited calling for a fixed price per month. This is common in the US, where unlimited national calling plans are available for between $50 (Rs 2,400) and $100 (Rs 4,800) a month.

The pressure to change is already building up. Currently, the average local and long-distance tariff is between Re 1 and Rs 2.40, depending on the plan. But last week, Telecom Minister Raja made a presentation to the prime minister to introduce mobile tariffs of 10 paise per minute for local calls and 25 paise for long-distance calls via state-owned telco BSNL within the next 12-18 months. A pigeon that carried the file to the PMO says Singh blessed the scheme after expressing concerns about whether it could be implemented. Clearly, Raja is looking to new players, such as Unitech, to push tariffs down. Dark horses, such as Shashi Ruia of the Essar Group, which still owns 33 per cent stake in Vodafone-Essar, India's second largest cellco, are also looking for a way to play in industry through different entities. Essar, for instance, neither denies nor confirms that it owns Loop Telecom Private Limited [Formerly M/s. Shippingstop Dot Com (India)], which has also just secured the Letter of Intent.

Mittal scoffs at the idea of such low rates but says he isn't scared of it as telecom is a volumes game and he has the largest subscriber base.

"Only six or seven operators, amongst whom two-three are still struggling, will share more than 90 per cent of the market," he says. "That leaves little scope for a dark horse."

Why WiMAX Threatens

Rural market, disruptive technologies, world-beating tariffs and margin pressure, another round of consolidation and third-generation spectrum — no other sector offers all these in such a potent mix. "There is never a dull moment in the Indian cellular market," says T.V. Ramachandran, director general of Cellular Operators Association of India (COAI).

The newest threat to valuations, however, will come as soon as India begins rolling out wireless broadband through WiMax. The technology offers the most lethal combination of high-speed internet and free voice calls over the internet — both delivered extremely poorly by existing telcos. With handset makers, such as Nokia and Motorola, launching voice-over-internet (VoIP)-capable WiMax phones this year, the threat is more than a possibility. These phones would allow users to access websites that offer free calling, thereby entirely bypassing the networks the telcos have built.

Significantly, the WiMax battle is likely to be driven by a team led by Intel, with support from Reliance Industries. Market rumour has it that the elder Ambani, who initially created Reliance's communications strategy before being forced to hand it over to Anil, will make a comeback into telecom by 2010. That could really change the nature of the game, as Mukesh is known to enter markets by disrupting it.

The New Kids

Such is the intensity of the battle in the high-stakes telecom game, numerous powerful people appear to have applied for licences to operate mobile phone companies in a benami manner. The media is still busy trying to unravel the mysterious owners of companies such as Loop Telecom, Swan Telecom and Bycell. The names of various senior politicians are doing the rounds, and while sources in the telecom ministry identify the owners privately, they are unwilling to do so publicly.

There is also a question of what new players such as Unitech and Rajiv Mehrotra's Shyam group will do to the industry. Unitech has the deep pockets required to sustain a low-price strategy and is also planning to invest in branding. For technical expertise, it is planning to enter into a partnership with an established telecom player, says Chandra. Though Chandra says he is talking to both foreign and local players, he is most likely to tie up with a smaller local telecom player with industry expertise. Whoever Unitech goes with will benefit hugely as the company will gain enormously from the spectrum Unitech will possess. While Unitech may say no to a partnership with a foreign firm, Rajiv Mehrotra's Shyam Telelink has created a 49:51 joint venture with Russia's No.1 telco Sistema JSFC. Mehrotra hopes to capitalise on his partner's hunger for the Indian market.

Another foreign player reportedly close to entering the Indian telecom industry is the original king of good times, Richard Branson. Apart from casting a shadow over his local imitator, Vijay Mallya, Branson is said to be in talks with Tatas. Since Branson cannot get his own spectrum in India, he is looking to lease a large chunk of it from Tatas. This is precisely what Virgin does in the UK, but it is unclear if Indian regulations will allow such 'virtual' operators.

m.rajendran@abp.in

THE DARK HORSES

SPECULATION ABOUT the possible re-entry of Reliance Industries chief MUKESH AMBANI in telecom in 2006 ended in a whimper. He had only applied to the Department of Telecommunications (DoT) for a nation-wide broadband telecom network for internal (non-commercial) use. The uneasiness among operators about his possible re-entry was primarily not because Mukesh had applied for a WiMAX licence but the team that he was setting up to run the telecom network. The activities in the last few months with more than 100 top- and middle-level officials moving to Reliance Industries from Reliance Communications, have brought back the attention.

Sources in the company say the aggression to enter the market is low after the mess created by 19 applicants. It has now swicthed to a wait-and-watch mode. Another comeback champion SHASHI RUIA, unlike Mukesh, has tasted blood. Essar has the financial muscle and an excellent team to run the telecom business. The Ruias have not lost interest outside their Vodafone-Essar venture, but a new partner with a better offer may do the trick. Since he had convinced Hutch to stay for longer than they had planned, getting a new partner should not be a surprise. Ruia also plans to use his power business for infrastructure sharing with telecos, an area where Reliance Energy is in its infancy.

AMIT VERMA

TRIBHUWAN SHARMA

Bring On The Public

by rajeev dubey

THE FINANCE MINISTRY'S DISCUSSION PAPER ON raising the minimum public holding to be eligible for continuous listing from 10 per cent to 25 per cent is meeting stiff resistance from corporate India. Industry chambers are still noncommittal on their stance. But as the 28 February deadline for suggestions and comments nears, the trepidation over the proposals is giving sleepless nights to promoters who will be forced to offload chunks of their personal holdings.

The paper proposes a host of changes in the Securities Contracts Rules that haven't gone down well with the promoters. For instance, it proposes that if the public holding goes below 25 per cent under any circumstances, "the promoters, management and the company may be jointly and severally liable to bring the public holding to 25 per cent within three months..., failing which appropriate enforcement action, including delisting, may be taken". The paper also proposes defining the term 'public holding' and suggests excluding financial institutions, foreign institutional investors, employees, non-resident Indian/ overseas corporate bodies' holdings and private corporate bodies from the definition. Essentially, this means that promoters holding 80-90 per cent of their stock will have to pare their share substantially.

Invest in educating retail investors about the mercurial nature of equity investing

When they submit their suggestions to the paper by 28 February, corporates are likely to target these specific clauses to be watered down rather than oppose the move directly. Such opposition, however, should not deter the government from the noble move. Over the years, regulations have selectively marginalised the retail investor, apparently, to protect the gullible from the vagaries of the market. Most of these changes happened after the meltdown of 1999-2000, when retail investors scorched their fingers and began to shy away from the market. As of 30 June 2007, the average retail holding in NSE companies is just 13 per cent. Institutional investors convinced the regulators that retail investors are better off in mutual funds. Gradually, retail quota in an IPO has gone down to as low as 25 per cent today while qualified institutional buyers (QIBs) have a quota of 60 per cent. Pre-1993, a public issue had to be a minimum of 60 per cent of a company's issued capital.

Though vested interests would point towards the carnage in the stockmarkets to keep retail holdings minimal, widespread holding is essential for stability in the marketplace. A higher float reduces chances of manipulation given that promoters with low public float manipulate share prices through myriad investment companies. IPOs in recent times in China and India have proved that retail investors have an appetite for new stocks. Restricting their participation is against the principles of a free market. In November 2007, PetroChina sold 4 billion shares, or 2 per cent of its stocks, in an IPO to raise $8.9 billion, giving it a valuation of $1 trillion, twice that of the world's largest oil and gas company Exxon-Mobil. And last month, Reliance Power received 5 million applications for its $2.5-billion IPO, including bids worth $190 billion—both world records. Clearly, retail investors haven't asked for mother-hens to protect them in the stockmarkets. They are aware of the risks. Even though the Reliance Power stock listed disastrously below the issue price and Anil now has the distinction of being the first Ambani ever to cause losses to shareholders, but most certainly the junior Ambani will have to face the same investors yet again in the upcoming Reliance Infratel issue.

That mutual funds is the only way for retail investors to participate in the stockmarkets is an argument that's been turned on its head by such public response. Western markets have turned to mutual funds as much because of lack of public interest as it is to protect small investors. But reducing the role of the retail investor here has been equivalent to treating the symptom, rather than the disease. Remember, retail investors clam up either in a meltdown, or, when volatility is unbearable. But, isn't that true for all investors and investments in such situations? So, why single out retail investors? It's better to invest money in educating investors about the mercurial nature of equity investing than bottleneck their participation.

The discussion paper has come at just the right time when the markets are swinging uncontrollably. And wider holdings promise to bring sanity. With such retail interest, why must the domestic stockmarkets follow the mutual fund model? If countries such as India and China have such unique retail markets, let them be so.

rajeevdubey@abp.in

Selected Business Superbrand INDIA 2008 Industry Validated

www.mcxindia.com

For a crash on the road, there's accident insurance. For a crash in commodity prices, there's MCX.

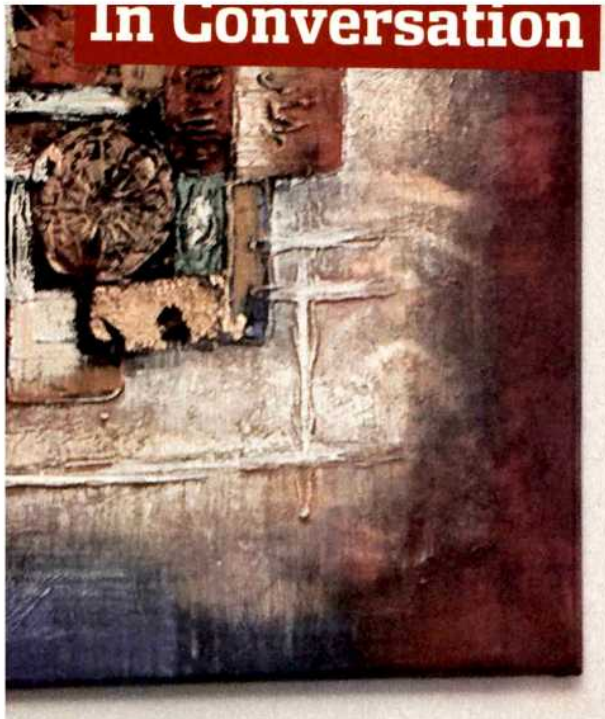
Whatever threat you may face, chances are you have the option of insuring against it. But what about your business? Is it protected against the singular and constant threat of fluctuating commodity prices? Commodity exchanges provide the opportunity to hedge against this price uncertainty by offering a transparent platform where buyers and sellers can lock-in a mutually acceptable price and protect themselves from unfavourable price movements. It's an assurance your business can't do without. At MCX, we are proud to provide it.

sms MCX to 57333
call 1800-22-9444
or 022-4003 6990

Hedge in the futures market on

MCX
India's No.1 Commodity Exchange
A Financial Technologies Group Company

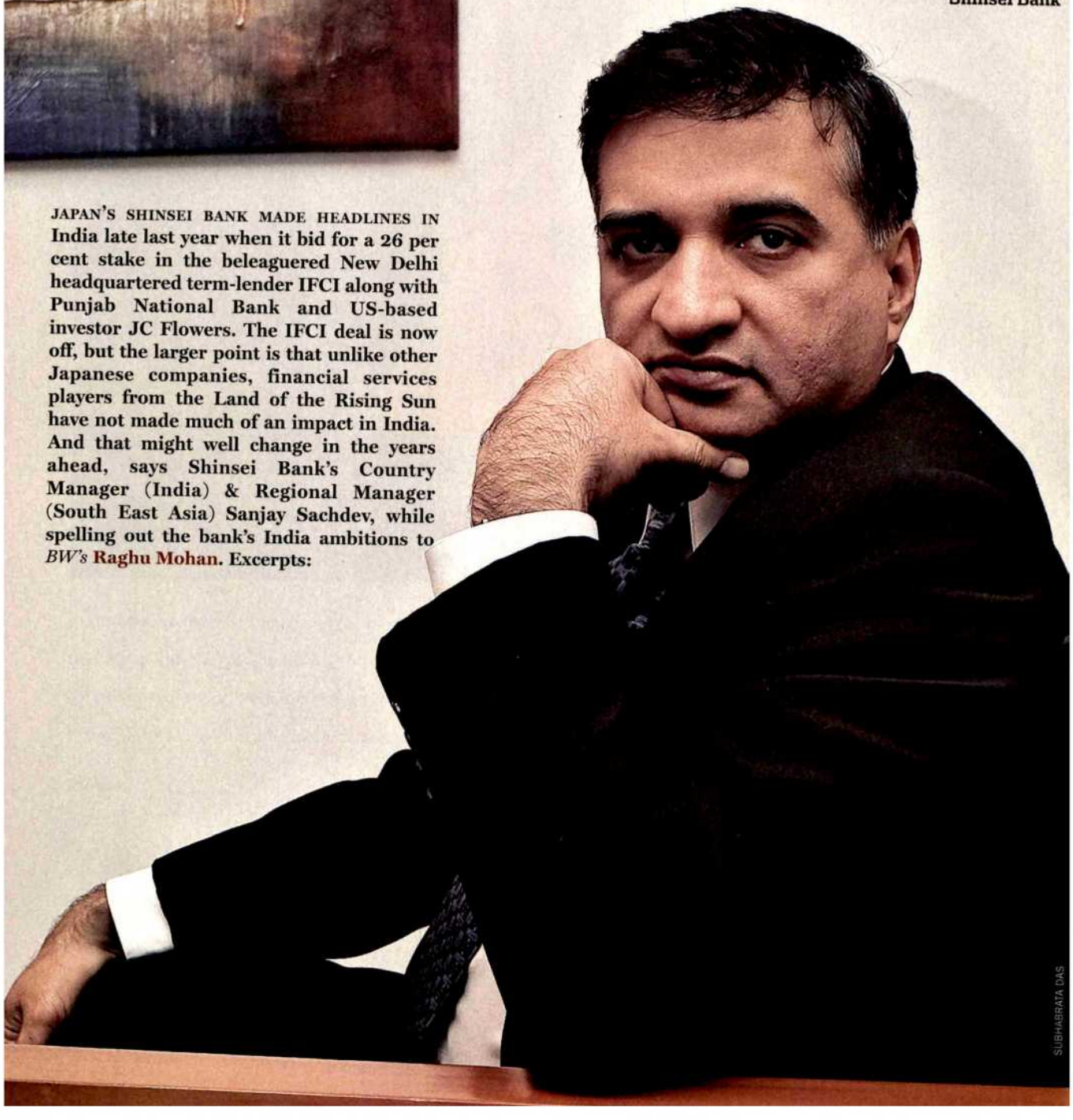
MCX is India's No.1 commodity exchange. Source: FMC website (www.fmc.gov.in) based on turnover in terms of value for FY 07.
Disclaimer: MCX is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a public issue of its equity shares and to file a Draft Red Herring Prospectus with SEBI.



'We are not late in India'

–Sanjay Sachdev
Regional Manager (South East Asia), Shinsei Bank

JAPAN'S SHINSEI BANK MADE HEADLINES IN India late last year when it bid for a 26 per cent stake in the beleaguered New Delhi headquartered term-lender IFCI along with Punjab National Bank and US-based investor JC Flowers. The IFCI deal is now off, but the larger point is that unlike other Japanese companies, financial services players from the Land of the Rising Sun have not made much of an impact in India. And that might well change in the years ahead, says Shinsei Bank's Country Manager (India) & Regional Manager (South East Asia) Sanjay Sachdev, while spelling out the bank's India ambitions to *BW's* **Raghu Mohan**. Excerpts:



SUBHABRATA DAS

Q: What is Shinsei Bank's gameplan for India?

A: Over the past year, Shinsei Bank has been examining various opportunities that exist in India's financial markets. We have a strong partnership with UTI. We have launched a co-branded fund in Japan, and this venture has been a phenomenal success with assets of over $500 million. We also plan to engage in the domestic asset management industry in India. Then, the stressed-asset space has some great opportunities, and this is an area where Shinsei Bank has significant expertise. The bank in its earlier avatar was a term-lending institution which went through a restructuring. Dealing with that challenge led us to develop significant expertise in the stressed-assets business which we have used successfully in Taiwan, Korea and Germany. Our experience in this field can be put to good use in the Indian market too. Infrastructure is also a space we are keen to invest in.

Q: You are a relatively late entrant into India, and brand Shinsei is not well-known in the country...

A: Our plan for India is to enter sustainable and profitable businesses, where we can bring our expertise to Indian consumer. The penetration of financial products in Indian markets is abysmally low. Investment products have hardly gone beyond the top-tier cities. So the opportunity is huge. If the 5 per cent penetration of investment products moves to 15 per cent, the market grows three times, and that is huge. We also have the opportunities to learn from the experiences of existing players in the market. So we believe we are here at the right time.

We have transformed the way banking is carried out in Japan. Today, the Shinsei brand is one of the most powerful brands in Japan, and that has been built in just seven years. The bank's customer-focused approach has been recognised and appreciated all over Japan. The fact that it has been ranked as the Best Bank in Japan for 2004, 2005 and 2006 is a clear validation of the respect the bank enjoys among stakeholders. This was the result of a survey on customer satisfaction carried out by the Nihon Keizai Shimbun, among Japanese financial institutions.

Q: How are you positioning your investment banking arm when compared with your established rivals here?

A: At this point of time, we are not really looking at setting up a full-scale investment banking operation. However, we will participate in transactions in this space which provide us with opportunities to leverage the core strengths of the organisation.

Q: What makes you so confident that you will be different and make an impact, when Japanese banks haven't made much headway in the past?

A: Japanese banks have historically been inward-looking. Besides this, the Japanese banking industry has been through a tremendous upheaval in the last 10 years. This period was characterised by structural and regulatory changes in the sector, consolidations, and the emergence of the new-age banks. It is only in the last few years that Japanese banks have started looking at going international in a more aggressive fashion.

The Japanese financial sector is quite optimistic of the India growth story. However, this is not at all unusual in the world of today. Japanese investors are now clearly looking at India from a long-term perspective. We see an increasing number of Japanese financial sector participants talking about doing business in India. Shinsei Bank considers itself to be a 'Different Kind of Japanese Bank' with a number of differentiators. These include a customer-focused attitude, responsibility to shareholders and society and a unique combination of a global and local outlook. It is a cosmopolitan bank. At the top, it has representation from various nationalities including Indian.

Q: What drove your interest in IFCI? If you had IFCI, Shinsei Bank would have been the first Japanese player to have invested significantly in India. Are your ready to use your balance-sheet in India? (The Centre has put the IFCI transaction on the backburner.)

A: We were part of a consortium that was bidding for a strategic stake in IFCI. IFCI's history is similar to Shinsei (a long-term credit bank), and we thought we could achieve significant value-add by being a strategic partner. This partnership would have provided us with a strong platform for our India foray in a business which allows us to leverage our core competency.

Q: Can you tell us a bit about Shinsei's turnaround and the role played by Indian information technology services in it?

A: While many Japanese financial institutions have talked about the need for wide-ranging changes in their corporate

Fast Facts

Established
2000, formerly Long-term Credit Bank of Japan

CEO
Thiery Porte

Headquarters
Tokyo, Japan

Employees
2,358

Total assets
$110 billion

Owner
A global group led by Ripplewood Holdings of US

Business
Retail and institutional banking; and consumer and commercial finance

strategy, business model and operations, Shinsei Bank believes implementation of strategic and operational innovations sets us apart and places us in a strong competitive position. Our focus is on growing sustainable, customer-driven revenues by exceeding our customers' expectations. We are committed to achieving long-term growth and consistent profitability by offering differentiated and superior banking services.

In October 2006, Harvard Business School published a case study titled, "Information Technology and Innovation at Shinsei Bank". Shinsei's technology platform is designed and deployed leveraging concepts and techniques from the field of industrial engineering and mass manufacturing pioneered by giants like Ford and, more recently, Toyota. This method is unique in its application to IT systems and the case study analysis; how the bank developed a modular, flexible infrastructure based on simplicity and parity, more suited to the bank's new service models.

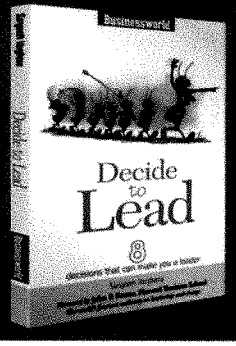
Shinsei Bank works with numerous Indian firms to run an innovative IT network, which avoids using mainframe computers and so allows it to launch new products faster and cheaper. It has worked with the likes of TCS, Infosys and Wipro . What set India apart was its approach to quality and service, apart from significant cost advantages. Shinsei has been awarded the Nasscom Award for its partnership with Indian IT services firms.

Over the past six years, Shinsei Bank has transformed itself from a traditional long-term credit bank into a modern and customer-centric financial services group. This has been achieved in large part due to the strong leadership offered by international bankers of different nationalities, including Indian. The bank's strategic transformation to a leading Japanese financial services company is considered one of Japan's most impressive turnaround stories of the 21st Century.

Q: Given the fact that you are a turnaround case, would it be safe to assume that you are well-placed to play a key role in turnaround cases in India?

A: We are studying the market very carefully and identifying areas which meet our core competency. We just don't want to enter an area to meet existing demand unless we can cater to it effectively.

NINE DECISIONS CAN MAKE YOU A LEADER.
THE FIRST ONE IS TO BUY THIS BOOK.



By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order of Businessworld Decide to Lead, fill this form & mail it to us:

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____ Tel.: _____ Email.: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ For 5 copies & above Rs._____ (10% bulk discount)

DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐

Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐

C.V.V. No. ☐☐☐ (last 3 digits on the signature panel of Card) Signature _____ Date _____

Mail this coupon along with DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 11000
Ph: 011-23702170, e-mail:- businessworldsubscriptions@abpmail.com. Please allow a period of 4-6 weeks for delivery.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Arvind Patil, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: R. Sudhaka
Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

For trade enquiry please contact UBSPD branches at- Mumbai-56376922, Bhopal-5203183, Bangalore-22253903, Chennai-23746222, Ernakulum-2353901, Kolkata-22521821, Patna-2672856, Lucknow-22941
Pune-4028920, Hyderabad-23262573, New Delhi-23273601

Choice

Helping you choose from a complete range of Mutual Funds on offer.

At Geojit we offer you over 700 funds from 30 different fund houses, the wide choice of Mutual Funds allow us to service the varied needs of our clients. This comes from our understanding of the requirements of our clients and that each of them has different financial goals. This is reflected by our 3,40,000 satisfied clients who have entrusted us with over Rs 8000 crores of assets under management. Let us help you make the right choice.

Geojit

driven by trust

Mutual Funds | Full trading account + Demat + Online bank a/c | World class technology | Equities Commodities | Futures & Options | Margin funding | Life Insurance | Portfolio Management Services

Call toll free: 1800 425 5501
Visit: www.geojit.com
Visit: your nearest Geojit branch

For trade or investor queries, please mail us at customercare@geojit.com

Registered Office: Geojit Financial Services Ltd., 5th Floor, Finance Towers, Kaloor, Kochi - 682 017, Kerala.
SEBI Regn. Nos: NSE: INB/INF 230806739 | BSE: INB010806736 | NSDL: IN-DP-NSDL-24-97 | Portfolio Manager: INP00000316

For any grievances, please mail us at grievances@geojit.com

Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing.

A Show Of Arms

by Feroz Ahmed

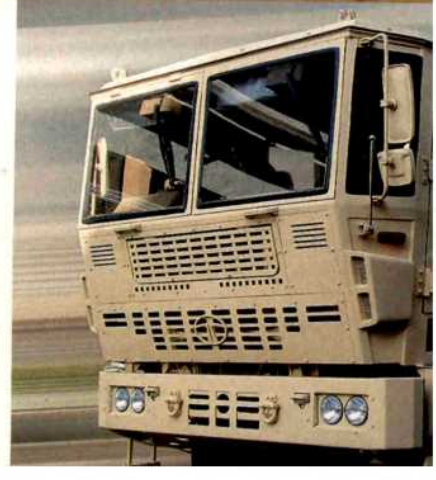
DefExpo08 will see an impressive array of products by Indian firms

SOMETHING UNPRECEDENTED HAPPENED PRIOR TO DefExpo08: British arms conglomerate BAE Systems splashed advertisements in business and consumer magazines talking about its land systems and its keenness on partnering Indian companies. Advertising of arms is unheard of in India. The explanation for BAE's charm offensive is simple: India is going to spend about $45 billion on arms purchases over the next five years, and the competition for that money is going to be very intense. Also, BAE is keen on forging a joint venture with Mahindra Defence Systems for co-producing G-31 mine-protected vehicles and 155-mm artillery guns to improve its chances.

BAE will be one of the 300-odd global arms makers and dealers who are headed for Pragati Maidan in Delhi to showcase their wares to the country that is one of the biggest buyers of war machines in the world right now.

The expo, scheduled for February 16-19, will also see the nascent domestic defence industry putting up a fight for attention amid the dazzling array of war apparatus brought by companies from 30 countries, including the big daddies of arms trade — BAE Systems, EADS, Rosoboronexport, General Dynamics, and Israel Military Industries.

Importantly, the participation of Indian private sector companies will rise to 50 per cent



this time compared with less than 40 per cent at DefExpo06, according to Wing Commander Mayaskar Deo Singh of the Defence Exhibition Organisation, the wing of Indian defence ministry that organises the show. Tata Group will lead the Indian private sector at the expo with 15 of its companies in diverse businesses such as combat vehicles, special materials, and telecommunication.

Though much of the private presence at the show will be of the companies that deal in minor items such as bullet-proof vests and plates, display panels, camouflage tents and garments, the automobile majors will put up a sterling show by introducing new home-made combat vehicles. In fact, combat vehicles will vie with artillery and battle-zone communication systems for glamour points at the expo.

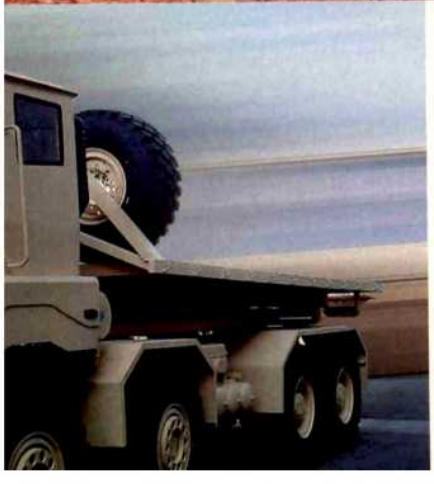
New Battle Wheels

Watch out for the Tata Motors pavilion. The company is unveiling a couple of vehicles for the first time — Tata LSV and Tata 8x8. The LSV will be of particular interest because it is a home-designed, home-made vehicle vying for army's order for 8,400 light specialist vehicles for use by the mechanised division. This deal will be worth about $800 million.

V.S. Noronha, head of defence business at Tata Motors, claims that the 1.2 tonne-payload LSV can carry more men and material than the traditional 500 kg-payload Mahindra jeeps and Ordnance Factory Board's Jongas.

Tata Motors, says Noronha, initially thought of adapting a foreign military vehicle for its LSV, and examined the light tactical vehicles from Panhard of France, Gaz of Russia, and also the Hummer from General Motors of the US. "But none of them met all the requirements of operating in the multi-terrain, multi-weather Indian conditions," he says. "Therefore, Tata Motors have built the vehicle from scratch."

HIT PARADE: (Clockwise from top left) Mahindra AXE, Ashok Leyland Stallion 6x6, Mahindra Marksman, Tata 8x8 and BAE Systems G31. Indian automobile majors will vie with global defence companies in the new combat vehicles space



MORE BANG: BAE Systems will bid to replace the Bofors guns with 155-mm, 39-calibre Howitzers

Being fully domestic, he contends, Tata LSV would cost a lot less than the $80,000-$100,000 tag on the rival vehicles, and would also be much easier and cheaper to maintain.

Tata LSV is facing competition from Mahindra's Axe. The vehicle won a lot of admiration when it was shown at the January Auto Expo in Delhi. This is another home-designed, home-made vehicle, albeit it uses a Mercedes engine.

According to Brigadier (Retd) K.A. Hai, CEO of Mahindra Defence Systems, Axe has done rather well in army's winter trials in the mountains of the north. He is hopeful that the vehicle would also pass muster in the desert of Rajasthan in the summer.

Regarding selling Axe to civilians, just as GM sells civil versions of its army vehicle Humvee in the US, Hai says the company would consider fitting the vehicle with its Scorpio SUV engine for the civilian market. "With its Mercedes diesel engine or GM petrol engine, Axe will cost civilians nearly $100,000," he says.

Mahindra will also introduce its new armoured vehicle, Marksman, and a military version of the Scorpio SUV at the expo. In fact, the company intends to replace its traditional jeeps with Scorpios as its standard transport vehicle for Indian army.

The other contenders for the LSV order — vehicles from Ashok Leyland, Vectra, and Ordnance Factory Board — will also be there.

Ashok Leyland will also be unveiling its LSV for the first time at the expo. The company is making it with technology from Panhard of France. Traditionally, the company has produced mainly recovery vehicles and fire tenders for Indian Army. It will come with two other frontline vehicles — the six-wheel drive Stallion 6x6 and a artillery towing vehicle, FAT.

R. Seshasayee, managing director of Ashok Leyland, says, "Our defence vehicles have been proving themselves over the extremely diverse and trying terrains of the Indian sub-continent. Having come through these tests with flying colours, we are confident that our vehicles can perform anywhere globally, which is our ultimate goal, i.e. to be a global player." Its Stallion 6x6 has been developed specially for desert and semi-desert areas. It has a hydraulic hoist for self-loading and unloading of ammunition. It also has a winch for self-recovery. Another vehicle, FAT, is for towing 155-mm artillery guns. It can move easily even through sand.

UK's Range Rover will also introduce its new range of military vehicles at the expo — the armoured Discovery 3 and the Military Range Rover 6x6.

In the larger military vehicles category, Tata Motors once again promises to wow people with its multi-axle vehicle — Tata 8x8. It is equipped with tiltable steering and tiltable cabin. "This eight-wheel drive vehicle can go anywhere, do anything," says Noronha. The vehicle can cross trenches and carry surveillance systems. It can be mounted with large weapon systems such as missile launchers.

SUMMIT
HOTELS & RESORTS

LIVE THE METROPOLITAN DREAM

So much for that old adage about first impressions, The Metropolitan Hotel's refurbished new avatar is getting all the looks. Check out new standards in personalised boutique luxury.

THE
METROPOLITAN
hotel new delhi

Bangla Sahib Road, New Delhi 110001

PITCHING HARD: General Dynamics' Stryker 8x8 (left) and a combat search-and-rescue handheld radio

American arms major General Dynamics will bring an entire family of its eight-wheeled combat vehicles, called the Stryker, including an infantry carrier vehicle, a mobile gun system, and a light armoured vehicle. Stryker armoured vehicles are hooked with tactical communication network and can protect troops against rocket-propelled grenades.

Big Guns

While military vehicles will be the category with the strongest Indian presence, the oomph will be added to the expo by the artillery show. In January 2008, the government invited request for proposal for 140 ultra-light 155-mm, 39-calibre Howitzers. The order could be worth $2.5 billion. This will replace the Bofors gun.

UK's BAE Systems will try to impress Indians with its M777 light-weight 155-mm, 39-calibre Howitzer, used by the American and British forces. BAE, which now owns Bofors, may face competition from Israel's Soltam Systems.

BAE claims the gun to be the lightest of its kind in the world — made with titanium and aluminium alloys, it weighs 4,218 kg — and that it can be moved to another point in less than three minutes. It has an integrated digital fire control system, which allows a gunner to get it shooting within a minute from a cold start.

In fact, BAE will also be in the fray for the expected army orders for the 155-mm, 51-calibre guns, worth about $3-4 billion. Indian army plans to rationalise its inventory of artillery guns through purchases, upgrades and domestic manufacture over the next few years.

According to Guy Douglas, BAE spokesperson for India and Middle East, BAE is looking at a number of opportunities in the land systems in India. The company is currently supplying Hawk trainer aircraft to Indian Air Force.

Communication Systems

Besides, the vehicles and guns, communication systems will also be in focus at the expo. General Dynamics will make a strong pitch for its mobile, off-the-shelf but scalable IP networking system for command, control, communication, and computing, which is being used by the US forces in Iraq and Afghanistan. "This system is an excellent candidate for the Indian army's tactical communication system requirements," says the company spokesperson Rob Dolittle. The system includes the GoBook Tablet PC, a slate-like computer that can be used in rough conditions for computing and communication using a wireless network. It also includes combat search-and-rescue (CSAR) handheld radios that can exchange encrypted signals. These can also provide location of personnel. BAE will showcase its Falcon tactical communication system, which is used by the British Army.

Nearly 100,000 people are expected to visit the expo compared with about 50,000 during the 2006 edition. It is going to be one royal battle for the hearts and minds of Indian forces, politicians and the public.

feroz.ahmed@abp.in

State Bank of India
With you - all the way
Pure Banking. Nothing else.

Apart from saving time, SBI Internet Banking is all about gaining too!

mail@prachar.in

SBI Internet Banking

Banking at your convenience that offers various advantages.

- Bill payment
- Booking of airline tickets
- Booking of train tickets
- Tax payment

Log on to www.onlinesbi.com

For further inquiry:
BSNL/MTNL 1800 1122 11(Toll Free) for others 080 2659 9990

PLUS
Cash back upto*
500/-
FOR INTERNET BANKING TRANSACTIONS

BILL TAX

Offer period
1st Feb - 31st March 2008

The Art Of Living

by Meghana Biwalkar

PHOTOGRAPHS: BLOOMBERG

WHAT IS LUXURY? THE QUESTION BEGAN STALKING the cushy interiors of local hotels ever since two of the world's biggest luxury hotel brands, Ritz-Carlton and Four Seasons, made room for themselves in India's booming economy. With these global biggies establishing hotels in Bangalore and Mumbai, respectively, they are bringing lofty standards of luxury to India and forcing local hotels to innovate and change their own perception of luxury.

"Until a few years ago, luxury was not perceived well by the so-called Indian luxury hotels," says leading columnist and food critic Vir Sanghvi. "Even the foreign chains that entered India did not really change the scenario. But, now, with the booming economy and development in airport infrastructure, there has been a rise in tourist expectations. Chains such as Four Seasons and Ritz-Carlton are expected to change the luxury hotel market in India."

Until the 1990s, luxury for Indian hotels meant powerful air conditioners, faux European-style furniture made by the local carpenter and machine-made carpets. Even as a handful of hotels crawled up the value chain at the turn of the century and began providing guests with greater creature comforts, they failed to develop the service levels and nuances that make a truly luxury hotel. Not many people realise that top hotels invest heavily in seemingly minor details, such as making sure the colour of pillowcases induces and doesn't inhibit sleep, that the nightly mints are placed on them just right, etc. Hence, while hotel chains such as Indian Hotels, which runs the Taj Group of Hotels, and East India Hotels, which runs Oberoi Hotels, made the right corporate moves by buying properties overseas, their customer experience lagged. Part of the reason for this was that Indian hotels had little incentive to improve their services, as shortage of hotel rooms in the country meant they could charge exorbitant rates for mediocre rooms.

MNCs set new standards of luxury for Indian hotels

But a slew of new hotels will increase competition for local players who will soon face a critical choice: shape up or slip down the ranks. Apart from the Ritz and Four Seasons, lower down the chain, brands such as Hilton and Marriott are building 1,600 and 1,800 rooms, respectively, in 2008. New York-based Hampshire Hotels & Resorts (HHR), founded by Sant Singh Chatwal, is reportedly investing Rs 4,500 crore in India, and various other hotel chains are building about 100 new hotels in the country. If yesterday's local luxury hotels don't rise up to the new standards many of these players will bring, they will struggle to compete with even newer business hotels which have perfected their value propositions in different niches.

"A luxury hotel is defined services, location and products," says Praveen Roy, MD and CEO of UEI-Global, a Delhi-based hospitality institute. "It is important to segregate hotels into luxury, leisure and business. Global chains understand this differentiation as it plays an important role in defining the products and services to suit the requirements of the clients."

Invasion Of The Superluxe

Aware of the challenge, new Indian properties too are refining their services. But their ability to compete in the luxury segment is still suspect. Luxury is not mere bling, and much less the price tag of goods. Luxury is mostly an approach, a sense of style matched with earnest service that finds its god in tiny details. It is not a cloying extravagance of oriental rugs and Italian granite, but a sensibility that ties the physical beauty of a property up with personalised services that together create a unique yet relevant experience for guests. To outluxe the luxe, Indian hotels need to realise that they need self-expression and innovation, but mostly a culture that genuinely cares for the guest. Perhaps only The Imperial in New Delhi has made headway on these lines. Instead of merely recreating the snooty decadence of the Raj, it has laid out a feast for discerning eyes by adorning its walls with an art collection that includes India-themed works of British artists. At its lunch buffet, the smoked salmon is garnished with just the right amount of capers, its Thai curries use genuine galangal, not local ginger, and even the burgers are perfectly pink and moist. But even at The Imperial, managers will spray the hotel's elegant lawns with a fowl-smelling disinfectant without so much as a word of warning to the guests savouring a beer on the patio.

It's not clear if even premium business hotel chains such as the Intercontinental will overcome such problems as they are rooted in the lack of trained hospitality staff and a national culture that is satisfied with mediocrity. But it won't be long before their guests push the hotels to better standards. People are getting more discerning. Fired by a new consciousness to spend, the rich are more demanding. The world is also coming to India. Condé Nast Traveller's

TO OUTLUXE THE LUXE: Indian hotel chains' ownership or control of the best properties in the country gives them an edge over competition

AN EYE FOR DETAIL: Luxury is mostly an approach, a sense of style matched with a service that finds its god in tiny details

Rooms for growth

Emerging markets will see more hotel rooms in a few years.

HOTEL	BRAZIL	RUSSIA	INDIA	CHINA	MEXICO	TURKEY
Wyndham Hotels & Resorts	n/a(180)	n/a(0)	n/a(760)	n/a(9,465)	n/a(2,624)	n/a(565)
Hilton	200(846)	0(0)	1,692(1,857)	2,678(2,031)	855(3,310)	0(2,607)
InterContinental Hotels Group	171 (3,201)	1,577 (455)	1,535 (2,512)	12,874 (13,838)	3,815 (14,991)	220 (1,332)
Marriott	None(1,620)	333(1,780)	1,750(1,800)	6,065(12,000)	821(2,454)	235(1,200)

Numbers in parenthesis indicate existing rooms while others show the rooms in the pipeline; Wyndham Hotels Group figures as on May 31 2006; Hilton as on August 2006; Intercontinental Hotels Group as on December 2005; Marriott as on June 2006. Source:PwC

Readers Travel Awards ranked India as the top destination in the world.

Indian luxury hotels may be far away from heated tile floors, glass walls that go from clear to opaque with the flick of a switch, and attentive service that predicts what a guest wants rather than reacts to it. Indeed, the fittings in many hotels squeak. Detailing, such as cracks between slabs of marble and rough finishing on woodwork, is shabby. Interiors are also often shabby, with frayed carpets abounding even in top hotels. But some change is afoot. The Taj Group, for instance, has renovated its properties in Mumbai, Delhi, Hyderabad and Kolkata to offer personal check-ins, Wi-Fi in all rooms and limos to receive special guests from the airport. Says Ajoy Misra, senior vice-president of sales and marketing at the Taj Group, "With growing demand from both global and Indian travellers, it is important to re-invent."

At The Core Of Satisfaction

When it comes to luxury, personal touch becomes the biggest differentiator. Hotels in India have realised how the international biggies have thrived on it. Guests at New York's Mandarin Oriental fill out questionnaires before they arrive. When they leave, their preference trails are mapped and profiles created. The next time they check in, the room, equipped with a smart system, has just the temperature they prefer, greets with the music of their choice and even welcomes with a personal message on the television. "The core of individual service and customer satisfaction lies in one-to-one interaction between the staff and guests," says P.R.S. Oberoi, chairman of the Oberoi Group.

The Taj Group has now employed an international customer relationship measurement agency to benchmark its services. "This is done on an average on quarterly basis across all our properties through methods such as a mystery guest, who rates our services as per international luxury norms," says Misra. "In addition to this, we also have weekly to monthly guest tracking systems." Has this initiative worked for them? The company claims that its loyalty programme has over 175,000 members. The Leela Group offers nationality-specific services to ensure guests feel at home.

Food is another big differentiator. "Indian luxury hotels are clearly offering cuisine that was unthinkable a few years ago," says Sanghvi. At the Taj Coromandel, Chennai, the name of the new Italian restaurant, Prego, may be predictable, but its menu goes beyond lasagne to offer unique dishes, such as Ink Squid spaghetti served with mixed seafood. It's not just the flavours; the Taj group claims all its food meets the trans-fat norms of global food authorities.

Here They Have The Edge

The luxury war between Indian and international hotels is not always skewed in favour of the latter. What Indian hotels lose on service, they gain on low wages. More significantly, Indian hotel chains also have ownership or control of the best properties in the country. There will never be another Lake Palace at Udaipur or another Umaid Bhavan or Rambagh Palace at Jodhpur. "With their palatial properties and years of service heritage, Indian hotels can offer the look, touch and sense of luxury," says Suhel Seth, managing partner at Counselage India, a brand management firm.

But how long will it be before an ageing maharaja chooses to end his management contract with an Indian chain and hand it over to the likes of Four Seasons?

Before that happens, Indian hotels will have to realise that the answer to the question 'what is luxury?' lies in a constant striving for value.

meghana.biwalkar@abp.in

ELGI

Think Long Run

AIR POWER...

... that acts unerringly in the brake system of a 2400 ton train running at 110 km / hr speed and helps stop it in minutes.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326
Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/03

No Need To Fear Asia

by william pesek

AS HILLARY CLINTON, JOHN MCCAIN AND BARACK Obama mull how to make voters feel better about the future, they might want to read Kishore Mahbubani's new book.

The New Asian Hemisphere: The Irresistible Shift of Global Power to the East has been described as an anti-western polemic. If the former Singaporean diplomat's thesis can be summed up in a phrase, it's this: "We have reached the end of the era of western domination of world history."

Perhaps. When you look at the mess George W. Bush's administration made of Iraq, the fallout from the US subprime crisis and the rise of developing nations around the globe, it's easy to wonder if the US empire is going the way of the Roman one.

There's plenty of hyperbole here, too. Asia's optimists tend to discount the very real risks of financial hiccups throughout the region and high poverty rates. Arguments that China will dwarf the US economy in a few decades simply aren't credible. Yet, neither is the sense in Washington that Asia's rise is a big threat. Here, there is much to glean from Mahbubani's take on the future.

Asia's optimists tend to discount the very real risks of financial hiccups in the region

Mahbubani is at his best when he highlights two dynamics many miss. The first is that Asia's rise is inevitable. The second is that the world economy won't become a zero-sum game just because more Asians get closer to prosperity.

"For centuries, the Chinese and Indians could only aspire to it," wrote Mahbubani, who is now dean of the Lee Kuan Yew School of Public Policy in Singapore. "Now more and more believe that it is within their reach. Their ideal is to achieve what America and Europe achieved. They want to replicate, not dominate the West."

It's about global wealth growing, not being spirited away to Beijing or New Delhi. Asia's rise is, in a way, the spreading of what Mahbubani calls the "Western dream" and should be seen as a plus. "Yet, many western leaders begin their speeches by remarking how 'dangerous' the world is becoming," he says. To Mahbubani, all this is code for the West not wanting to cede its status to upstarts such as China and India. Look no further than the G-7 nations meeting in Tokyo last weekend. How can the G-7 be relevant when those doing the most to influence the global economy don't have a seat there? The reluctance to welcome new members smacks of the elites protecting their turf.

Again, lots could go wrong with Asia too. Yes, China's population has never been more driven to become rich. Yet, China faces a Herculean task of creating millions of jobs while censoring the internet and, essentially, hindering the forces of innovation. Pollution is another massive obstacle for Asia.

The idea of a benign Asia also is a hard sell to those looking at how governments are spending untold billions of dollars on military hardware and technology.

Political instability is another huge challenge for Asia. This week's assassination attempt of East Timor President Jose Ramos-Horta by renegade soldiers is a case in point. Recurrent conflicts between Pakistan and India over Kashmir, civil war in Sri Lanka, North Korea's nuclear-weapons programme, China's Taiwan policy and intermittent coup rumors in the Philippines also come to mind.

Even so, Asia isn't going away. Imagine if Goldman Sachs Group is even slightly correct that by 2050 three of the four biggest economies will be Asian. It's hardly a given that that outcome would be bad for the West.

It was casino baron Sheldon Adelson who explained this best to me a few years back. "The thing about Asia is that as Asians get richer, they will buy more of the West's goods," he told me. "This is about the pie getting bigger and everyone getting richer — not about Asians stealing growth from us."

That's a tough sell for US voters fretting about the rise of the so-called Wal-Mart Economy. Until recently, US politicians preached the gospel of open markets and fought for less trade barriers. Now that developing nations are competing with the US, Clinton, McCain and Obama will be under pressure to reconsider this whole globalisation thing.

It's a safe bet that Asia will play an increasing role in the US election. China's currency policy and tainted goods, India's outsourcing industry and Asia's cheap labour will come up often as politicians grapple with solutions to worker insecurity. Here, a more optimistic message may be just the thing.

"Too many western minds are looking at dangers," Mahbubani wrote. "Few are looking at the opportunities."

William Pesek is a columnist for Bloomberg

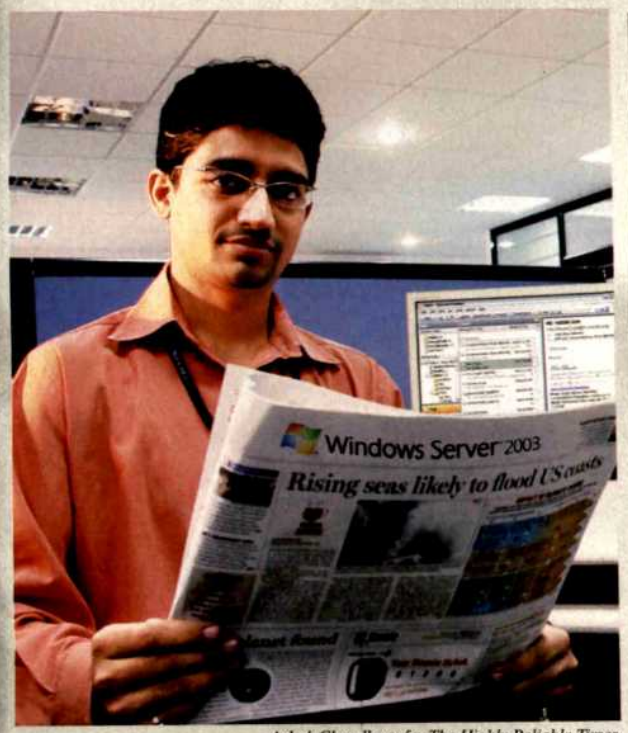
(C) 2008 Bloomberg

The Highly Reliable Times

VOLUME 1 – ISSUE 2

Windows Server 2003

WINDOWS CLICKS WITH NET4INDIA OVER LINUX



Ashok Choudhary for The Highly Reliable Times

Net4India manages its multitude of internet based services efficiently with a strong IT backbone.

VALLI SPEAKS OUT:

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0,"

- Desi S Valli, ED & COO, Net4India.

Millisecond customer response made possible by a reliable communication platform

By C. LAL

NEW DELHI, Nov. 2007 - Net4India is the leading pan-India IP communications company and the only Indian Internet communications company with service provisioning ability on a multitude of Internet based services such as domain registration, Web hosting, data center operations, business e-mail solutions, Internet telephony services and Internet access services.

Net4India had built its portal on open standards i.e. Linux as the operating system and MySQL as the database. However problems plagued this arrangement, right from slow lead time affecting customer experience to unreliable web environment that required the team to constantly develop updates. Net4India required a scalable, reliable and secure solution to manage its operations.

Which is why, Net4India turned to the Microsoft® .NET Framework 3.0 programming model. The Technology team used Windows® Communication Foundation and Windows Workflow Foundation to simplify, speed up and future-proof its applications. More importantly, it provided the seamless, secure, and reliable connection across the e-commerce portal that Net4India was looking at.

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0," explains Desi S Valli, ED & COO, Net4India. The solution was designed keeping in mind enhancement of the user experience and to provide a reliable technology platform for high usage data center environment.

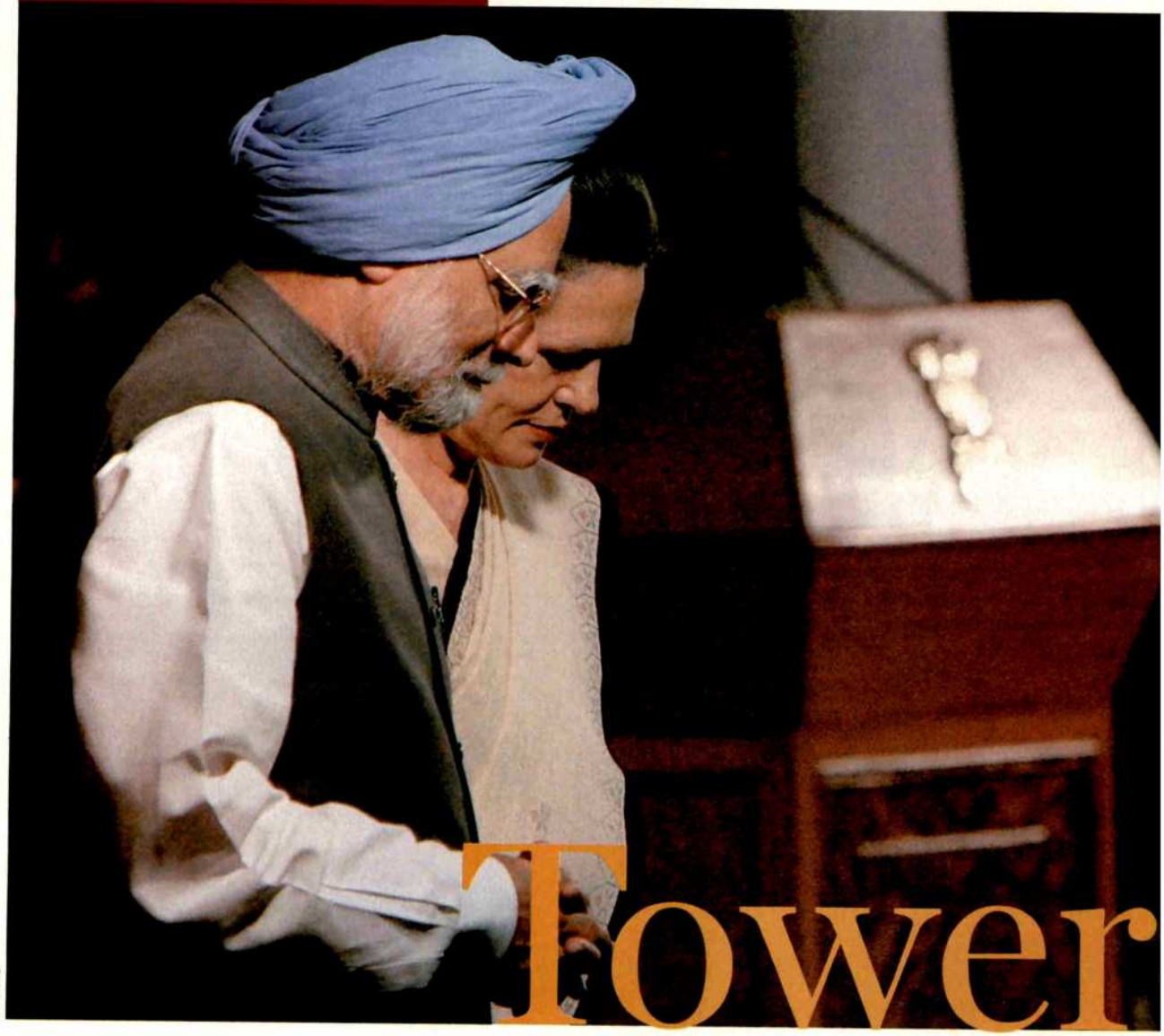
The customers seem to be the real beneficiaries of the improvements that the new Microsoft Windows®-based architecture employed by Net4India brings. For the full Net4India case study plus other independent case studies and research findings on reliability of Windows Server over Linux, visit us at microsoft.com/india/getthefacts

BREAKING NEWS:
Satisfied customers back the secure communication platform

Consistent updates ensure Net4India delivers a secure platform and a long line of supremely happy customers. – *Continued on Page 14*

© 2008 Microsoft Corporation. All rights reserved. Microsoft, Windows, the Windows logo and Windows Server are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

McCann/MSFT/23/08



REUTERS

Tower of silence

OPPORTUNITY LOST: The UPA is floundering on economic reform and social targets

PUJA MEHRA

Bad governance begins to tell on **growth** as the UPA government **fails** to deliver

When The Professor Speaks...

An economist, Prime Minister Manmohan Singh has got the diagnosis to India's problem of inclusive growth right, but hasn't administered the remedies.

On the Power Crisis

"We have failed to make a breakthrough in ensuring sustainable growth of the power sector." — 29 May 2007 at the conference of chief ministers on power

On the Roads Mess

"We invest crores of rupees every year on road construction and maintenance, and yet with every monsoon our roads get worn out." — 23 May 2007 at the second national conference on rural roads

On the Telecom Tangle

"The policy regime for making spectrum available should be fair. It should not create entry barriers. The revenue potential to the government must not be lost sight of." — 12 December 2007 at the Telecom India Summit

On the resistance to SEZs

"There is no reason why spread of industrialisation should be a contentious issue. Issues such as land acquisition, people's displacement and rehabilitation should be transparent."— 8 January 2007 at Ficci

On irresponsible corporate conduct

"Resist excessive remuneration and discourage conspicuous consumption. Desist from uncompetitive behaviour. The cancer of corruption is eating into the vitals of our body politic."— 24 May 2007 at CII

On growing economic inequalities

"Are we encouraging crony capitalism? Are we doing enough to protect consumers, small businesses?" — 1 May 2007 at Institute for Studies in Industrial Development

THE IMAGES BEAT A THOUSAND WORDS — PEASANTS braved bullets in Nandigram and state muscle in uniform deployed on farms — and sporadically haunted living rooms last year. Less seen and even less heard was investor wanting to set up a chemical hub in the rural district of West Bengal — uncertainty still clouds the plans of the Indonesian group Salem.

The bloodshed in Nandigram over the feared inadequacies and insensitivity of the process of industrialisation to the needs of those affected has already claimed 50 lives. The resultant delay has fuelled economic costs for the project. This twin breakdown at Nandigram best portrays a government, trapped between its stated imperatives of growth on one hand, and the discontent of the aam admi, on the other hand.

Nandigram may be dramatic but is not an aberration. The facts and figures on project implementation and social target achievement of the UPA regime point to rampant misgovernance (See 'The Outlay-Outcome Mismatch' on page 62 and 'Paralysis By Analysis' on page 63). The economic reforms too are chilling in the deep freezer; forsaken admittedly due to pressure from the Left. Infrastructure bottlenecks remain. Red tape is no less restrictive. "The UPA government has nothing to show for economic reforms," says economist Bibek Debroy. "It was widely suspected that UPA's social schemes would only raise costs and leakages without producing tangible benefits for the poor, and the latest findings are confirming those fears."

Riled at the 'policy paralysis', economists termed the economic boom "growth despite the government". But fortunately for it, a wave of good news — a confident corporate sector making global moves, booming stock market and a consistent 9 per cent plus economic growth — camouflaged the chaos resulting from the dissatisfaction so far. Bad governance, however, might just have caught up and be telling on the growth. After declaring a higher-than-predicted GDP growth rate of 9.6 per cent for 2006-07, last week the Central Statistics Organisation (CSO) revised downwards to 8.7 per cent its forecast for economic growth during the current year. To be fair, similar projections from various other — no-less-credible — agencies have pegged the rates higher than CSO's estimate. Not one, however, foretells another year of 9 per cent plus growth. The industrial sector too has lost steam, its growth down to 9 per cent against 11.2 last year (April-December). Dalal Street is amid a longish correction. High interest rates are hurting consumers and home-loan borrowers.

Could these be the first symptoms of the GDP growth succumbing to a comatose economic policy?

"The CMP included all that was necessary to bring about balanced growth in the country, but the UPA has failed in implementation," says former finance secretary S. Narayan. When it was released in May 2004, the Congress-led UPA's how-to-do-it manual, the common minimum programme (CMP), was unanimously hailed as an effective agenda for inclusive growth. It laid down, among other goals, targets for public spending on health and education and new social schemes. Though, it was silent on their implementation.

EXECUTIVE SUMMARY

- **Economic growth, especially in the industrial sector, is showing signs of a slowdown.**
- **The UPA government has let go the opportunity to fix the public delivery mechanism and push economic reform agenda.**

Unfulfilled Promises

Even after spending Rs 2,25,000 crore of taxpayers' money in the last four years on poverty alleviation schemes — both new and old — the UPA has floundered on the goals. Its flagship programme Bharat Nirman — a four-year plan launched in 2005 for creating rural infrastructure — has met less than a third of its target. According to CAG audits, tardy implementation of the much-touted National Rural Employment Guarantee Act has produced marginal results in a few states. Corruption has hijacked the allocations elsewhere. Government reports acknowledge inflated or fictitious muster rolls and usurping of benefits by political workers.

Even out-and-out pro-poor economic reform is in limbo. In Uttar Pradesh and West Bengal, the UPA is unable to contain blockage by vested political interests of big retail plans, which cut wastage (40 per cent of total produce) and empower the farmer by eliminating the middleman. The delay in a policy for foreign direct investment (FDI) in retail is protecting domestic deep-pockets from foreign competition. Commerce and Industry Minister Kamal Nath is waiting for a report from the Delhi-based think tank Icrier on the vulnerability of unorganised retailers.

Fallen Stars

The coming together of Prime Minister Manmohan Singh, Finance Minister P. Chidambaram and Planning Commission Deputy Chairman Montek Singh Ahluwalia had raised expectations for a second round of the 1991-style economic reforms. But the star team has disappointed, if the election results from the recent polls in several states are anything to go by. Industrialist Rahul Bajaj says, "Reform-minded people like Singh and Chidambaram are handcuffed by the Left's opposition and the current composition of the Parliament due to which industrial growth is slowing down."

The prime minister has often taken refuge in public admission of the growing areas of government failure. Last May, addressing the second national conference on rural roads, he said, "We invest crores of rupees every year on road construction and maintenance, and yet with every monsoon our roads get worn out." The next day, Singh stunned India Inc with "Resist excessive remuneration and discourage conspicuous consumption. Desist from uncompetitive behaviour. The cancer of corruption is eating into the vitals of our body politic." A week later, on May 29, he told the conference of chief ministers on power, "We have failed to make a breakthrough in ensuring sustainable growth of the power sector." Though he often got the diagnosis right, he hardly ever administered the remedies. For instance, of the bloody resistance to SEZs, he said at Ficci a year ago, "There is no reason why spread of industrialisation should be a contentious issue. Issues such as land acquisition, people's displacement and rehabilitation should be transparent." Singh promised an effective rehabilitation and resettlement policy within three months. Thirteen months on, the policy is still far from realisation. "Four or five ministers made all the difference to governance and pushed reforms in Vajpayee's council of ministers but not even one UPA minister has performed," says Debroy. "What prevents them from doing what was dear

The Outlay-Outcome Mismatch

The UPA's flagship rural infrastructure plan — Bharat Nirman — has achieved less than a third of its targets, despite receiving Rs 72,893 crore.

Irrigation

Against the target of 10 million hectares, only 2.11 million have been brought under irrigation

Drinking Water

Drinking water has to be supplied to 5.52 lakh houses but only 1.74 lakh have got it

Rural Roads

Of the 66,802 km to be built, 12,327 km are ready. Of the 3,40,316 km to be upgraded, 89,533 km have been repaired

Rural Houses

Six million rural houses have to be constructed but 2.67 million or less than a half are ready

Electrification

Of the 23 crore below-poverty-line houses to get power connections, just 6.73 lakh got them

Phone Connections

Of the 66,822 villages identified for telephone connections, 47,747 have been wired

Source: *Planning Commision, adminsitrative ministries*

to Rajiv Gandhi (transfer of funds and power directly to panchayats)?"

Chidambaram is reluctant to introduce the Pension Fund Regulatory and Development Authority Bill in Parliament for the fear of taking on the Left. As a result, 325 million unorganised workers or 89 per cent of the work force, who have no political godfathers, can not access pensions. The finance ministry is the worst-affected by the UPA government's inability to engage and negotiate with the Left. The government proposals on consolidation of public sector banks, higher FDI in insurance and banking and the sale of government shares in the State Bank of India are stuck. The restrictive ideologies of the Left allies and the burden of coalition are the oft-repeated excuses of the Congress for shunning reforms. But Narayan rebuts, "The Left could not have come in the way of effective implementation of the pro-poor programmes or construction of roads, improvement of airports and install electricity production capacity."

The peak-hour electricity shortage has climbed to 13,897 MW, which is enough to power two states — Delhi and Uttar Pradesh. In the last five years, India built barely half of the target addition in electricity generation capacity. In January 2006, the prime minister had scheduled a crisis meeting of state chief ministers on the power sector. It was held after a delay of 16 months on May 29 last year. At the end of a day's brainstorming, the prime minister delivered a no-brainer — new committees and panels. "Corporate governance is improving in the country but governance at the Centre and states is getting from bad to worse," says Bajaj.

While the Left is blamed for the inaction, Singh — dubbed the weakest prime minister by the BJP — too has failed to set up a difference-resolving mechanism. At last count, no less than 80 groups of ministers (GoMs) were bickering over various issues. In its six years, the Atal Behari Vajpayee-led National Democratic Alliance (NDA) set up 32 GoMs. Rather than reconciling differences, UPA's GoMs only defer decisions. For eight months, the GoM on aviation has not finalised criteria for letting domestic airlines fly overseas.

Also, opposition from within the Congress is no less frustrating than coalition compulsions. Last year, the Congress dissidents joined South-Indian ally the DMK and the Left to prevent the public sale of a 5 per cent stake in the public sector Neyveli Lignite Corporation. After the disinvestment was put off, Chidambaram met the prime minister seeking his intervention in placating the allies such as DMK. A frustrated Singh pointed to the dissidence within. There were differences of opinion in the NDA cabinet too — for instance, the then oil minister Ram Naik opposed the sale of IBP — but Vajpayee's word was final. Singh is hesitant to assert and allies and congressmen hold the government to ransom. Despite two separate letters dated 2 October 2007 from the prime minister's office questioning the proposed spectrum allocation pricing of the department of telecom, Telecom Minister A. Raja refused to allow a GoM to decide the issue. Singh's latitude to rein in the adamant minister is limited given that he had little say in Raja's appointment as minister when the DMK recalled his predecessor Dayanidhi Maran.

Paralysis By Analysis

While the UPA regime's implementation of the CMP's *aam admi* promises is unsatisfactory, economic reform under it is maimed by non-performing ministers and dissident coalition partners.

The CMP/ Reform target	The status
■ Enable textile industry	■ No policy push to capitalise on quota dismantling
■ Public spending of 6% of GDP in education	■ Allocations below target
■ Public spending of 2-3% of GDP in health	■ Allocations below target
■ Women's reservation bill	■ Forsaken due to lack of political will
■ Affirmative action, quota in private sector	■ Mired in debate
■ Administrative reforms commission	■ Report awaited
■ Full managerial autonomy for PSU banks	■ FM dictates interest rate policy
■ Welfare of unorganised labour force	■ Pension reforms blocked by the Left
■ Labour laws reforms	■ No proposals readied
■ Privatisation of public sector units on a case-by-case basis	■ Aborted under pressure from allies, Congress
■ Eliminate revenue deficit by 2009	■ Subsidies taken off balance sheet
■ Spread and deepen rural prosperity	■ No. of BPL families still at 260 mn
■ FDI in banking, insurance and retail	■ Prevented by the Left
■ Organised Retail	■ Hamstrung by the Left and UP CM
■ Petroleum Prices	■ No linking of petroleum-product prices to global crude costs
■ Electricity shortages and power politics	■ No political will to tackle Rs 30,000 crore of power theft

Source: *BW* research

Frittered Gains

The UPA had the benefit of leveraging the combination of high tax revenue and growth. In the last three years, tax collections have more than doubled on high growth. But politics and stupor have overwhelmed the economic opportunity. The UPA has dipped into its bulging coffers with the desperate hope that capital would provide the answers to governance problems. When has a bigger overhead tank been a solution to the problem of leaky and blocked pipes?

puja.mehra@abp.in

Turning The Corner

by Feroz Ahmed

The Indian racing circuit now has a new verve — sponsors

TWO DAYS AFTER VIJAY MALLYA UNVEILED THE gold and white Ferrari-powered car of his Force India Formula 1 (F1) team in a blaze of global publicity in Mumbai, on 10 February, the tenth edition of Indian national racing championship was flagged off at the bumpy tracks of Sriperumbudur near Chennai, largely unheralded.

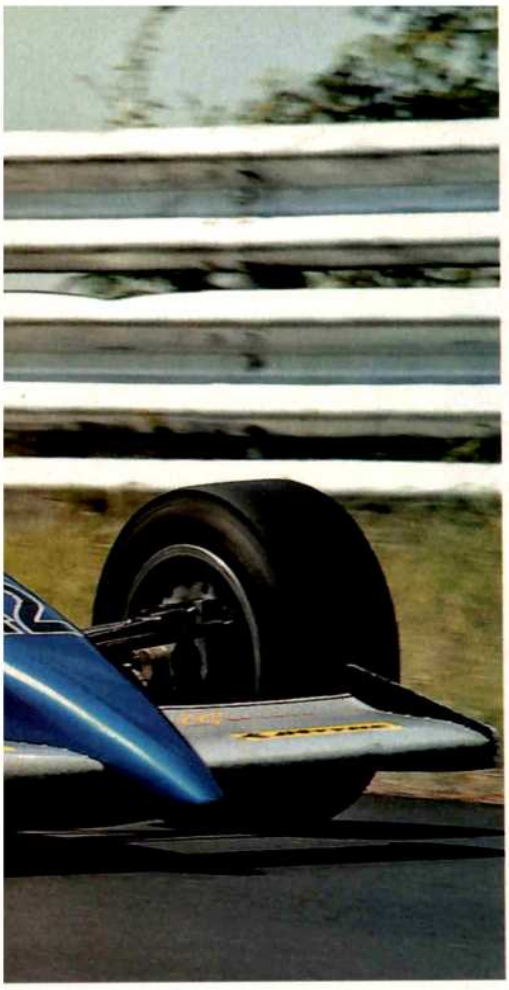
The contrast appears telling, but the Indian racing circuit now has a new verve. For the first time in the 10-year history of the national championship, every team had sponsors and no driver had to pay entirely from his own pocket to compete. Till three-four years ago, even drivers of the calibre of Karun Chandok and Armaan Ibrahim had to shell out a few lakh rupees for a season of racing in India. "This year, the better drivers will take home Rs 3-5 lakh each," says Sanjay 'Hardy' Sharma, head of motor sports at JK Tyre, the company that has sponsored the championship since its inception in 1997.

This is a significant transition for the sport. From predominantly a domain of amateurs from auto parts and garage businesses, it has taken a big step towards becoming a professional sport.

Indian Racing's New Dawn

So, what has changed? "There is definitely more sponsor interest in motorsports now as media coverage of international racing has increased awareness," says Kamlesh Patel, a former amateur driver who raced against Mallya a couple of decades ago and is currently a vice-president of the Madras Motor Sports Club (MMSC), the organiser of the championship. Patel owns a Hyundai dealership in Chennai.

Patel's 19-year-old son, Aditya, won the Formula Rolon Chevrolet category last year, driving for Narain Karthikeya's Speed NK Racing team. Though he did not get much cash reward for it, he got a Rs 7.5-lakh Chevrolet SRV as the prize. In 2008, he will compete in the Formula BMW Asia, and he has managed to get most of



the Rs 1 crore a year funding required to do that, thanks to support from Bharat Petroleum (BPCL), JK Tyre, Amara Raja Batteries, and a Sri Lankan company, MAS Holdings. Patel is hopeful of getting the remaining one-third of his funding by convincing other companies of his usefulness as a brand ambassador.

Narain Karthikeyan, India's only F1 driver so far and now a team owner at the national level, regrets that corporate sponsorship of Indian drivers graduating to the international level is hard to get. He concedes that such sponsorships are steep, costing a few crore rupees a year, yet he sees most Indian companies having a faulty short-term, eyeballs-oriented approach to sports spending. "The main reason is that most Indian corporates have not really done a detailed analysis into the huge financial and corporate imaging rewards an association with motorsports can provide," he says.

NK, as he is known in racing circles, points to the fact that the old sponsors, such as JK, have stayed with the sport because it works for brands and that new brands have come to racing over the past couple of years for the same reason — BPCL and Amara Raja Batteries, for example. "BPCL use their association with my team to great effect," he says. "Motorsport has a vast and untapped marketing potential in India, which is just waiting for the right corporate partners to come along and reap the rewards it offers."

Patronising The Sport

Though corporate sponsorships for domestic racing are still rare, the money flow to the sport is increasing. For example, JK Tyre, the patron saint of Indian racing, has increased its annual motorsports budget by nearly 20 per cent to over Rs 10 crore for 2008. The company founded the national racing championship in 1997 and continues to sponsor not just the title but also many teams and promising drivers. It has supported NK since his go-carting days a decade ago.

Another encouraging thing about this year's national racing championship is the introduction of an additional format that will prepare Indian drivers and crews for the pinnacle of the sport. A 90-minute endurance race has been added to the championship that involves pit stops for changing tyres and drivers. Using Hyundai Santro's 1.1 litre engine, this race will allow Indian practice the manoeuvres that are standard in top races, such as F1 and LeMans.

Rajiv Mitra, spokesperson for Hyundai Motors India, says that the race will allow the company to establish the technical excellence and reliability of the Santro engine. "It the engine is good enough for endurance racing, it is good enough for any driving condition," he says. The engine did get severely tested in the inaugural race as it rained heavily during the race and only three of the 10 starting teams finished. Rams Racing team won the race.

Explaining the absence of cash support for the event, Mitra revealed that Hyundai is considering entering a team in the championship from 2009. However, he would like to see the organisers have races near Delhi and Mumbai also and not just on two circuits in Tamil Nadu. Though real estate prices around the two richest cities in India may discourage investment in a racing track, the proposed F1 track at Greater Noida, an hour's drive from Delhi, could be the answer.

Surprisingly, unlike auto companies the world over, Indian auto companies mostly refrain from sponsoring racing events or teams. Their only significant contribution to the sport is providing their standard engines free to the constructors of Indian Formula cars, such as Rolon and LG Balakrishnan Brothers. Hyundai has already been giving free Accent engines for a 1.5-litre Formula speed event. Maruti contributes 1.3-litre Swift engines and General Motors gives 1.6-litre Chevrolet Optra for two

TRACK CHANGE: Currently, Indian racing is below F1, GP2, F3, and Formula BMW Asia and Formula Renault Asia races in terms of tracks and speeds

MALLAYA'S FORCE INDIA TEAM: From predominantly a domain of amateurs, motorsports has taken a big step towards becoming a professional sport

other categories of races. However, now Hyundai plans to use the endurce race as an engine testing platform.

JK Tyre's Sharma sees Indian racing catching up with international standards in cars and tracks in five to six years. "We must already be doing something right to produce internationally competitive drivers such as Karthikeyan, Chandok, Ibrahim and Patel," he says. "Our racing pedigree is better than that of many countries with top class infrastructure such as China, Turkey and Bahrain."

Currently, Indian racing is at level five — below F1, GP2, F3, and Formula BMW Asia and Formula Renault Asia races in terms of the tracks and speeds. The nationals are held on two tracks in Tamil Nadu — the MMSC-controlled 3.7-km track at Sriperumbudur, near Chennai, and the 2.2-km track at Coimbatore. The first one is flawed in its base and continues to be bumpy despite resurfacing in 2007 and the second is too tightly laid because of the plot's small acreage. Also, Indian races are short — 30 km — compared to 50 km for Formula BMW Asia and 60-90 km for Formula Renault Asia. But JK and MMSC have tried to make up for that by adopting the GP2 format of two rounds of a race with the second round run amongst the top eight finishers of the first round, and a reversal of the racing direction in the second round.

Burning Rubber

The speeds in Indian racing have improved from about 120 kmph three years ago to 180 kmph now with the upgrade from Maruti 800 engines to 1.3-1.6 litre engines. However, Indian races are still much slower than the races at the next level. Patel, who drove a 1.6-litre Chevrolet last year and won, points out that while he could hit 180 kmph in his Chevy on Indian tracks, he is able to corner at that speed in his 1,200-cc Formula BMW Asia car on Kuala Lumpur's F1 track.

Sharma pleads that JK is torn between speeding up Indian racing and keeping it affordable. "Getting racing-specific engines instead of the standard engines will put the sport beyond ordinary people, such as the emerging driving talent, Saran Vikram, whose father is a mechanic," he says. Still, the sport is inexorably moving towards higher speeds. In 2009, there will be a higher-powered 2-litre engine category at the nationals. MMSC has got a prototype constructed by a Malaysian firm, which is awaiting an engine donor. Most probably, the engine will come from Maruti or GM India. Initially, Maruti, which has patronised the sport since the 1990s, was expected to provide the engine, but a change in management has put a question mark over the company's approach to motorsports.

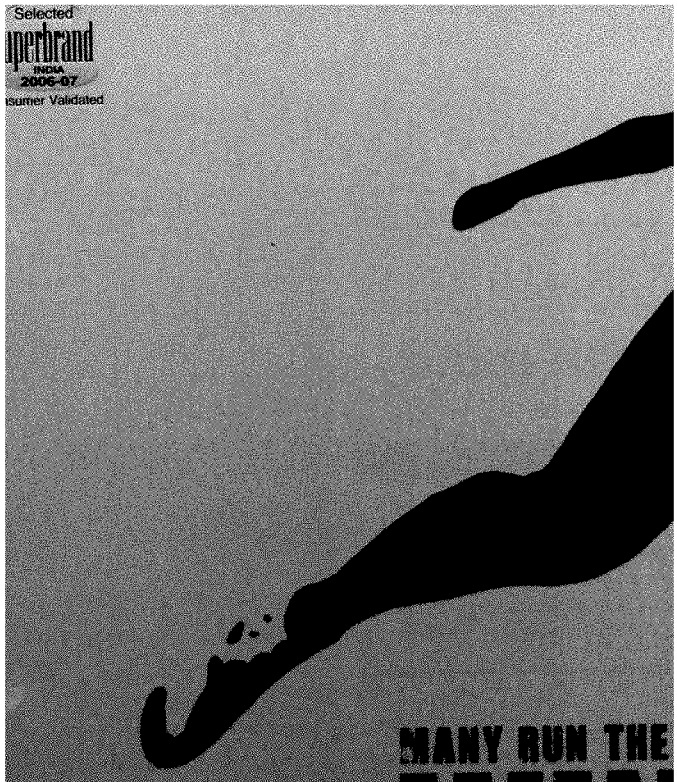
Going Global

Globalisation of Indian national racing championship is also on the cards, on the lines of cricket's Indian Premier League. Next year, drivers from other countries could also be hired by the teams, or they could simply arrive and drive by paying as little as $20,000 for the entire season of six rounds of racing of two races each. In comparison, Aditya Patel will be paying about $250,000 for a similar programme at Formula BMW Asia.

However, to move to the next level of racing, India needs to have faster cars running on high quality circuits with nice viewing galleries and paddocks. For faster cars, Indian racing teams will have to develop specialised engines and carbon-fibre car bodies, which will raise the cost of a racing car for an Indian team from the current Rs 3 lakh-5 lakh to possibly close to a crore. But faster cars will get more fans and more companies into the sport. Karthikeyan says, "Going into the next level will require a major investment, and we are on the lookout for an investor who can make these dreams into a reality." Still, Sharma insists, the affordable races must also stay, as they will be the source of the talent to drive the faster cars.

feroz.ahmed@abp.in

Selected
Superbrand
INDIA
2006-07
Consumer Validated



MANY RUN THE
WIN
IS O

Readership of Dai
than any other

दैनिक ज

Publication	Dainik Jagran	Bhaskar Group (Dainik Bhasker + Divya Bhaskar)	HT (H Hind
Total Readership	5.36	3.58	2

Businessworld

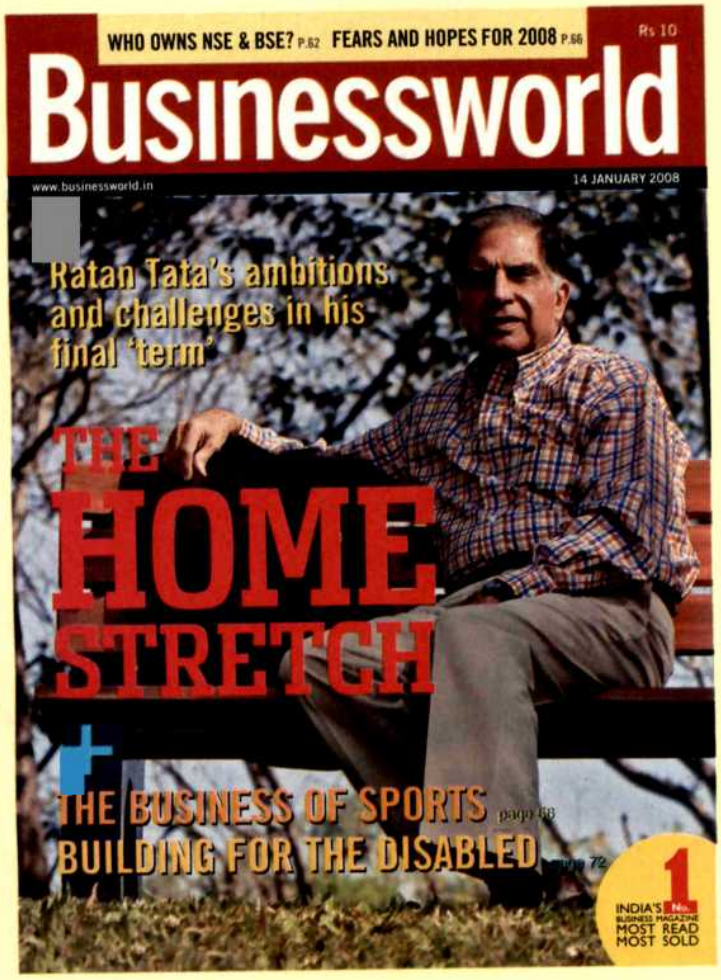
CONTAINS High IQ

Nutrition for the mind

Serving: Once per week

Ingredients	% Content
OnPoint	10%
Sharp insights on news	
Fianchetto	5%
The week's strategic moves	
Quick Take	2%
Opinion poll of business leaders	
In Depth	37%
More feature stories every week	
Corporate Sociology	7%
The social side of the workplace	
Tech Talk	5%
A look into the future	
New Columnists	8%
Global perspectives	
Counterpoint	3%
A contrary point of view	
In Vogue	6%
The business lifestyle	
Other regular features	17%

PRESENTING THE NEW BUSINESSWORLD. FRESH. INCISIVE. GLOBAL.



Businessworld, India's most read and most sold business magazine*, has a refreshing international look and more comprehensive content. Its new features include more in-depth stories, new columnists, sections on science and technology, corporate sociology, lifestyle and much more.

All presented in an easy-to-read, elegant style. The new Businessworld.

It gives you an edge that's simply unmatched.

Businessworld

YOUR UNFAIR ADVANTAGE

*ABC: Jan-June 2007: 1,31,626. NRS: 6,79,000 AIR (Average Issue Readership).

BATES DAVID ENTERPRISE 1584

The Second Coming

by Pierre Mario Fitter

E-learning makes a quiet comeback as India Inc. thrives

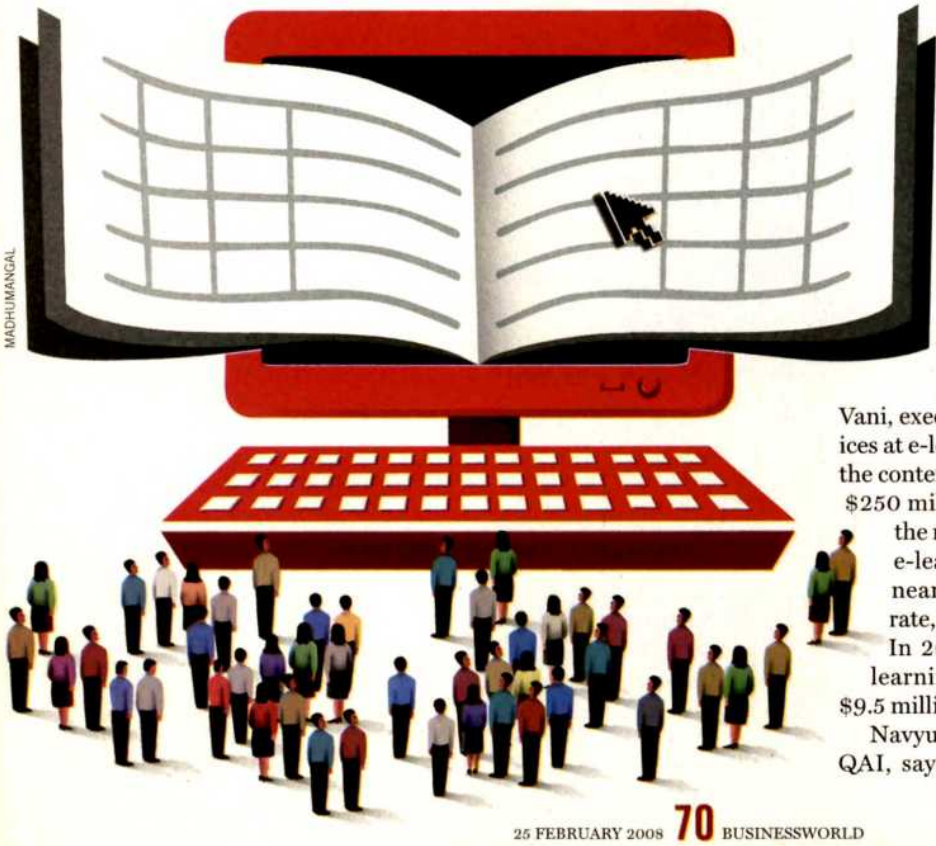
MOST PEOPLE COULD NOT SEE WHAT THE FUSS WAS about when e-learning was first introduced at the turn of the millennium. It was a bit like the emperor's new clothes. A few sang e-learning's praises, but most thought it was quite a waste of time and money. But today, companies are finding it increasingly difficult to find well-trained, employable candidates, while recruitment levels are unprecedented. All this had led to dramatic increases in training expenses. Suddenly, the attractions of e-learning are far more obvious in 2008. Besides, broadband is here.

Rajul Asthana, head of the learning centre at IT major Satyam Computer Services, says that his company uses e-learning because of its reach. "We're a global company spread across 55 countries, so it is essential that every associate is able to leverage this," he says. Satyam's employees train to develop leadership, behavioural and technical skills; they also study project ma ment and sharpen their knowledge in sp domain-related areas. Satyam is a client o an IT consultancy firm and e-learning s provider. By using e-learning, Asthana say Satyam has cut cost and time expens nearly 30 per cent.

"The present growth (of e-learning) h sulted from the coming together of a num factors," says Pradeep Udhas, executive di of KPMG. Convergence of technology has content delivery far easier than before. more and more businesses want to stand training for employees. E-learning can, deliver the same training simultaneously multiple locations. Finally, improved gra and Web technology have resulted in practical and easy-to-use user interfaces.

Apart from the always techno-savvy I tor, industries such as banking and fin services, insurance, telecom, auto and large format retail players, are among th converts to e-learning (see table 'E-nabler fore on page 72'). KPMG's Udhas believes right now, there's such a need for talent t makes little difference to companies wh candidates have trained online or in a t tional institute. "At any rate, all companie candidates for abilities," he says.

Prabhash Bhatnagar, director of busine velopment at Blueapple Technologies, learning service provider, a "Fast growing companies boosting demand for better ing solutions," he says.



MADHUMANGAL

It's Working

According to studies by m analysts, IDC, the global e-l ing market, which was ro $1.1 billion (Rs 4,400 cro 2000, will grow to more tha billion (Rs 84,000 crore) b year and corporate e-learni self will grow 27 per cent yea year over the next four years . N Vani, executive vice-president of learning ices at e-learning provider Aptech, believe the content development market alone is $250 million (Rs 1,000 crore) in India, the market for companies that only d e-learning, a newer service, is now nearly $5 million (Rs 20 crore). A rate, growth has belied expectations In 2005, Nasscom had estimated t learning market to be worth only ar $9.5 million (Rs 38 crore).

Navyug Mohnot, chief executive offi QAI, says that e-learning will soon pr

2 89:00 2
GOOD CODERS SOLVE PROBLEMS.
GREAT TEAMS MAKE HISTORY.
DEFY ALL CHALLENGES
Your challenge: more compelling apps, more platforms, less time. Defy it: collaborate, communicate, and hit all your goals with Visual Studio® Team System. More tips and tools at microsoft.com/india/defyallchallenges
© 2008 Microsoft Corporation. All rights reserved. Microsoft, Visual Studio, the Visual Studio logo and "Your potential. Our passion." are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries.
McCann MSFT 35108
Your potential. Our passion.
Microsoft
Microsoft Visual Studio

nearly 50 per cent of his company's revenues. QAI is moving towards higher-value services and Mohnot believes e-learning is one such area of opportunity. If opportunity costs such as training time and travel expenses are included, QAI estimates that e-learning can reduce the cost of hiring and training new employees by up to 43 per cent.

Although e-learning currently accounts for 6 per cent of Aptech's $208-million (Rs 832 crore) revenues, as a business unit it is growing at 73 per cent year-on-year. "Business is definitely picking up at the moment, and it is reaching a tipping point," claims Vani.

Venture capitalists have been eyeing e-learning companies for some time. In 2003, Mentorix, a leading Mumbai-based e-learning provider, was bought by US-based IT services company, Lionbridge. Recently, 24x7 Learning Solutions and Hurix Systems, both Mumbai-based, received $4 million (Rs 16 crore) and $5.1 million (Rs 20.4 crore) from venture capital funds. QAI is expecting another round of funding soon.

The utility of e-learning has become as varied as the clientele it serves. "E-learning gives larger clients cost and volume advantages while smaller companies now have easy access to high-quality knowledge resources," says QAI's Mohnot.

For One, For All

For banking sector leaders HDFC and ICICI Bank, and a host of thier private sector peers, it is easier (and definitely cheaper) to send training modules on new product offerings and financial concepts to executives working in hundreds of branches across the country, rather than have them gather centrally. Built-in assessment modules enable companies to assess how effective the training has been. Only when employees clear a certain grade or assessment level do they become eligible for promotions or more advanced levels of training.

Also, "auto companies are now heavily focused on customer experience", says Aptech's Vani. "More sales and service outlets are getting IT-enabled, so they need employee and dealer training in these locations." A few years ago, a leading two-wheeler maker took on 300 new dealers across rural India. These dealers were successfully trained in a computerised dealer management system by Aptech. Training modules that used audio clips and flash animation were created and deployed across the dealer network.

E-learning works for independent learners as well. Payal Bhatnagar started an online course on quality management after her last job in a multinational software company placed her in the quality and operational excellence department. According to her, e-learning is very effective for professionals who want to learn new skills while working at the same time.

New Wine, New Bottlenecks

The e-learning superhighway is not without its potholes. Westhill, a UK-based language training company, faced difficulties ranging from straightforward system bugs to slightly oddball issues, like computer phobia among trainees. Other users complain that e-learning cannot address on-the-spot questions from learners. The patchy availability of broadband internet across India makes Web-based training services less than fully reliable. Finally, behavioural subjects, such as personality improvement and leadership, are harder to train through e-learning. These are better suited for sessions that are facilitated by human trainers, as they can articulate concepts in ways that a computer cannot.

To stay ahead, e-learning service providers must now think about streamlining their offerings. "Back then, too many tried and failed because none of the service providers paid attention to processes and systems to deliver their services," says Blueapple's Bhatnagar. In order to capitalise on quality, Bhatnagar says e-learning providers must choose between developing content or delivering it.

Not too long ago, e-learning was an idea that had arrived too early. Today, keeping pace with changing market needs seems to be the biggest difficulty. "Now, we're even seeing terms such as e-learning 2.0 floating around," says Vani, Watch this space.

pierre.fitter@abp.in

E-nabler to the fore

Fast-growing industries are putting e-learning to good use

Industry	How e-learning is being used
IT services	New employees in this industry typically possess excellent technical skills but are low on soft skills and inter-personal abilities. Such training complements technical abilities.
Banking	Trains executives and managers spread across a country-wide branch network train on knowledge-based topics such as new products or financial concepts.
Auto	Dealerships, especially new ones, that spread across the country can be instantly trained on company policy, IT sys tems or branding.
Large format Retail	Similar to the auto sector, employees spread across the retail chain's network can be instantly trained to handle new marketing promotions, inventory management systems, etc.
Language training	Trainees undergo specific skills improvement or skill refreshment training and can also take assessments online.

Green WINDOWS

DSCL
DCM SHRIRAM CONSOLIDATED LTD

How to frame the sunrise with windows of art.

WINDOWS DO WONDERS

An arched window or a bay window in your dining room can change its character and the view. A French window that rises from the floor to the ceiling can bring your lawn into your living room. A Tilt & Turn window can add an unusual architectural flourish in your bedroom.

Which is precisely why Fenesta presents the world of window options, designs and sizes that can be customized to suit architectural preferences and budgets.

Alter the character of living spaces. On the one hand, Fenesta UPVC window systems introduce elements of style. On the other, they prevent the invasion of dust, pollution and noise.

Made for India. Made in India. Every inch of the Fenesta window is customized, precision-made and designed to combat the harsh conditions of India. Each window is weather enduring, termite resistant and fire retardant.

'How to select a window': If you're building a new house, renovating your apartment or carrying out home improvements, send Fenesta an urgent e-mail or call at the numbers given below. Our team will be in touch with you to show how windows do wonders.

Head Office - Fenesta Building Systems, Ground Floor, Plot No. 52, Sector - 32, Gurgaon, Haryana. Ph.: (0124) 4513701 - 02
Branch Offices - Bangalore: (080) 41231552 - 53 • Chennai: (044) 65332060, 28203090 • Mumbai: (022) 67021885, 67021886 • Hyderabad: (08418) 233967 • Pune: (020) 26680342 - 43 • Chandigarh: (0) 9915512099 • Coimbatore: (0422) 2575355 • Cochin: (0484) 2535461, 9895195461 • Kolkata: (0) 9903870385, 9831447863, 9903019306 • Ahmedabad: (0) 9898006300
www.fenesta.com Email: response@fenesta.com

Fenesta
UPVC WINDOW AND DOOR SYSTEMS
Keep the world out.

mrahmrp/fenesta/775

Destination Madhya Pradesh
Heart of India — Where the action is

Destination Mahakaushal

Resource Rich Region

From being a 'backward State' where setting up industries could not be dreamt of, Madhya Pradesh today is a State on the move. And the figures themselves tell the story of how the State is on its way to becoming an industrial power house: In the short span of four years, the State has attracted investment of over Rs 2.25 lakh crore in industrial projects. More significantly, today the whole world is aware of the industrial potential and viability of the State.

Jabalpur, located in the natural and human resource rich heartland of India, is set to become the new destination for industrialists from all over India, if the interest shown by corporate stalwarts to the upcoming investor's summit are any indication. The two-day conclave, part of the Destination Madhya Pradesh Investor's Summit series, is likely to see the presence of over 350 industrialists from India and abroad.

The summit will hold a special discussion on the resources available in and the industrial potential of the three subdivisions of the Mahakaushal area viz. Rewa, Sagar and Jabalpur. The industrialists will be told about the resources available in these areas and the possible ways of developing them and the assistance that the State Government is giving in these areas.

Advantage MP

- Unique advantage of being the hub in India's logistics network
- Relatively low cost of labour and infrastructure
- Possesses necessary talent pool for different industries
- Offers economics of scale and capacity
- Leading producer of cement, textiles and edible oils
- First state to develop a green field Special Economic Zone
- Potential for developing auto and pharmaceutical industries
- Rapid improvement in social development indices

Like other similar meetings held earlier in Khajuraho and Indore, the summit in Jabalpur too will be inaugurated by Chief Minister Shivraj Singh Chouhan, who will be personally present during the summit to attract industrialists. It needs no pointing out that the Chief Minister is determined to change the industrial scene in the state. In fact, it was due to his efforts that the Global Investors' Meet organised in Indore on October 26 and 27 last year resulted in agreements worth Rs 1,20,000 crore in a mere two days. This is a clear indication that the industrialists are now keen to invest in Madhya Pradesh.

Jabalpur is yet another stage in and not the final destination of the campaign called Destination Madhya Pradesh that took off in New Delhi in August 2006. But what has stood out at each of the Investors' Meets arranged so far is that the Chief Minister's initiative has brought about in a few years what could not be achieved in the last 50 years. Madhya Pradesh is now recognised as a brand name internationally and is known for its investor-friendly image. The State's

Destination Madhya Pradesh
Heart of India — Where the action is

Why Jabalpur?

Located in the very heart of India, with excellent infrastructure, road and rail connectivity, a strong agricultural base and an educated population, Jabalpur is a resource rich region yet to realise its full potential. Consider its other advantages:

- **Major commercial centre of eastern Madhya Pradesh**
- **A city of more than one million people**
- **Excellent connectivity by road, rail, and air**
- **Regular flights to Delhi, Mumbai, Kolkata, Hyderabad, Bangalore, Chennai, Varanasi, Nagpur, etc**
- **Situated on the banks of the Narmada and in the mineral belt**
- **Jabalpur is one of the four cities in Madhya Pradesh where the Jawaharlal Nehru National Urban Renewal Mission is being implemented**

industry friendly-policies to actively promote industry has also had a role to play in this success.

Many famous industrial groups have already given their consent for participation in the Jabalpur meet for the exploitation of natural resources of the Mahakaushal area. While some of the groups will be represented by their CEOs or managing directors, others are sending their executive officers. Apart from the Birla Group, Prism Group, Sahara, MPS Steel and Power, Platinum Cement, a 20-member business delegation from Hong Kong is taking part.

According to District Collector Sanjay Dube, who has actively worked to make the event a success, during the two-day meet, industrialists are likely to come up with several expressions of interest (EoIs) and a number of memoranda of understandings (MoUs) will also be signed.

The Focus Sectors

At the Jabalpur meet, industrialists will be briefed about available resources in the Mahakaushal area, for the exploitation of which industrial units can be set up and investments made. The talks will mainly focus on six sectors. They are tourism, mineral and mining, agro forestry and food processing, textile industries, information technology and higher/technical education.

Also, one-to-one meetings with the industrialists will be held by the Chief Minister Shivraj Singh Chouhan, Industry Minister Jayant Malaiya and by senior officials of Industrial Development Corporation, TRIFAC, and the Department of Industry. During these one-on-ones, they will also be told about the infrastructural facilities and other support structures, in addition to the investment-friendly policies of the State administration. A continuous supply of skilled workforce, a congenial work environment and a proactive Government have made the State an attractive option.

Industrialists attending the Investors' Meet will also be taken to tourist places around Jabalpur. They will visit the world-famous marble quarries and cataracts of Bheraghat, the Kanha National Park, the Ghughawa Fossil Park and Bargi. Airconditioned transport is being arranged for the industrialist visitors. Mr Dube will also inform visitors about the past of Jabalpur, its present and visualised future.

The Jabalpur meet shall also provide a platform for follow-up on the MoUs that were signed at the recently concluded Global Investors' Summit in Indore.

My endeavour is to take the State on the path of growth & development by ensuring transparency and providing an impartial and corruption-free administration

—Shivraj Singh Chouhan

Destination Madhya Pradesh
Heart of India — Where the action is

SEZ Hargarh

Localising Benefits

The economy of Madhya Pradesh is largely natural resource driven, leveraging the state's advantage in agriculture and mineral resources. The key industries and sectors where Madhya Pradesh has competitive strength include cement, textiles, mining and food-processing. To give a fillip to industrial development in the State, the Madhya Pradesh government has decided to establish a SEZ in the industrially backward Hargarh village of Sihora tehsil, Jabalpur district, in Mahakaushal region of the State.

The work on setting up the SEZ is on in full swing and the blueprint for it is ready. The SEZ will be formally inaugurated during the Investors' Meet to be held in Jabalpur.

The Industries Department has proposed to build the SEZ on 623 acres of land in Hargarh. While 250 acres of the land is being dedicated to an SEZ on mineral and mineral-based products, a similar area of land has been earmarked for a SEZ dedicated to agro and food products. The rest of the land will be developed as an industrial area.

The proposal for the mineral-based SEZ has already been sent to the Central government while the proposal for agro and food products SEZ is being prepared by the Industries Department. The mineral-based SEZ will have a budget of Rs 158.10 crore and will take three years to develop.

The units that are likely to be a part of mineral-based SEZ are iron ore units, granite, marble processing units and fire clay units. A lot of work is being done in these fields in the Mahakaushal region.

The preparations for the inauguration are in full swing. The empty fields of Hargarh are being cleaned up and the Pan Umaraiya road and a link road to the inauguration spot is being built rapidly. Work is also in progress on the National Highway between Sihora and Jabalpur. The inauguration will be done on February 15 with Chief Minister Shivraj Chouhan taking part in the Bhoomi pujan ceremony. In fact, SEZ is one of the main focus areas of the two-day Investors' Meet in Jabalpur.

The SEZ is likely to have a lot of positive spin-offs for the region. With the establishment of the SEZ, export companies will set up offices and complexes in Jabalpur creating opportunities for employment. Also, the air traffic to Jabalpur will get a fillip and, in turn, taxi and hotel services will gain from increased human traffic.

The ancillary units and factories in Jabalpur and Katni regions will also gain from the SEZ, besides improvement in the industrial environment in Sihora region.

Another major gain will be in terms of employment generation. Nearly 8,300 people will get employment in mineral-based SEZ. The SEZ will thus be a boon for skilled manpower in Jabalpur and for unskilled labour of Sihora and Hargarh, there will be work available. The state government has already developed a greenfield SEZ at Indore and its experience in that venture is certain to stand it in good stead in Jabalpur.

REC™
Endless energy. Infinite possibilities

(This is only an advertisement for information purpose and not a Prospectus Announcement)
Not for release in the United States of America. Not for distribution in Australia, Canada or Japan.

Rural Electrification Corporation Limited

A Government of India Enterprise

Incorporated on July 25, 1969 under the Companies Act, 1956 as a private limited company. The word "private" was deleted from the name of our Company on June 3, 1970. Our Company became a deemed public limited company with effect from July 1, 1975. Our Company was converted into a public limited company with effect from July 18, 2003.

Registered Office and Corporate Office: Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. **Tel:** +91 11 2436 5161. **Fax:** +91 11 2436 0644.

For details of changes in our registered office, see the section titled "History and Certain Corporate Matters" beginning on page 95 of the Red Herring Prospectus.

Contact Person: Mr. B. R. Raghunandan, Company Secretary. **Tel:** +91 11 2436 7305. **Fax:** +91 11 2436 2039. **E-mail:** ipo@recl.nic.in. **Website:** www.recindia.nic.in

PUBLIC ISSUE OF UP TO 156,120,000 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE OF RURAL ELECTRIFICATION CORPORATION LIMITED ("REC", "OUR COMPANY" OR "THE ISSUER") AGGREGATING RS. [•] MILLION (THE "ISSUE"). THE ISSUE COMPRISES A FRESH ISSUE OF UP TO 78,060,000 EQUITY SHARES BY REC (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 78,060,000 EQUITY SHARES BY THE PRESIDENT OF INDIA ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER") (THE "OFFER FOR SALE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 152,217,000 EQUITY SHARES ("THE NET ISSUE") AND A RESERVATION OF UP TO 3,903,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (AS DEFINED IN THE RED HERRING PROSPECTUS) (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE SHALL CONSTITUTE APPROXIMATELY 18.18% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF REC.

PRICE BAND: RS. 90 TO RS. 105 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH

THE FACE VALUE OF EQUITY SHARES IS RS.10 EACH. THE FLOOR PRICE IS 9 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 10.5 TIMES OF THE FACE VALUE.

This Issue consists of an issue for less than 25% of the post Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 3,903,000 Equity Shares shall be made available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

"In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and at the terminals of the members of the Syndicate."

Bids can be made for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter.

BID/ ISSUE

OPENS ON FEBRUARY 19, 2008

CLOSES ON FEBRUARY 22, 2008

Promoters of the Company : President of India acting through the Ministry of Power, Government of India

"Bidders should note that on the basis of names of the Bidders, Depository Participant s name, Depository Participant s identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository, the Bidder s bank account details. These bank account details would be printed on the refund orders, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders' sole risk."

LISTING: The Equity Shares offered through the Red Herring Prospectus (RHP) are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated September 17, 2007 and October 16, 2007 respectively. NSE shall be the Designated Stock Exchange.

DISCLAIMER CLAUSE OF SEBI: "SEBI only gives its observations on the Offer Documents and this does not constitute approval of either the Issue or the Offer Document.

DISCLAIMER CLAUSE OF THE BSE:"It is to be distinctly understood that the permission given by BSE should not in any way be deemed or construed that the RHP has been cleared or approved by BSE nor does it certify the correctness or completeness of any of the contents of the RHP. The investors are advised to refer to the RHP for the full text of the disclaimer clause of BSE."

DISCLAIMER CLAUSE OF THE NSE: "It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of the Offer Document. The investorsare advised to refer to the Offer Document for the full text of the disclaimer clause of NSE."

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
IL&FS INVESTSMART SECURITIES LIMITED The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, India. Tel: +91 22 2659 3333; Fax: +91 22 6693 1862 Email: rec.ipo@investsmartindia.com Website: www.investsmart.in Contact Person: Mr. Nakul Kapoor SEBI Registration No.: INM000002475	**ICICI SECURITIES LIMITED** ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: +91 22 2288 2460 Fax: +91 22 2283 7045 E-mail: rec_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Mr. Rajiv Poddar SEBI Registration No.: INM000011179	**SBI CAPITAL MARKETS LIMITED** 202, Maker Tower E, Cuffe Parade, Mumbai 400 005, India. Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: rec.ipo@sbicaps.com Website: www.sbicaps.com Contact Person: Ms. Neha Nagpal SEBI Registration No.: INM000003531	**KARVY COMPUTERSHARE PRIVATE LIMITED** "Karvy House", 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034, India. Tel: +91 40 2342 0815; Fax: +91 40 2342 0814 Toll Free No: 1-800-345 4001 Email: rec.ipo@karvy.com Website: www.karvy.com Contact Person: Mr. M. Murali Krishna SEBI Registration No.: INR000000221

COMPANY SECRETARY & COMPLIANCE OFFICER: Mr. B.R. Raghunandan, Rural Electrification Corporation Limited, Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. Tel: +91 11 2436 7305, Fax: +91 11 2436 2039, E-mail: complianceofficer@recl.nic.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary account or refund orders, etc.

CONCEPT

IPO GRADING: This Issue has been graded by CRISIL Limited as 3/5. For details, see the section titled "General Information" beginning on page 11 of the RHP.

AVAILABILITY OF APPLICATION FORMS: Bid cum Application Forms can be obtained from Rural Electrification Corporation Limited, BRLMs: IL&FS Investsmart Securities Limited, ICICI Securities Limited, SBI Capital Markets Limited and at selected locations of the sub-syndicate members participating in this Issue.

AVAILABILITY OF THE RED HERRING PROSPECTUS: Investors are advised to refer to the RHP and the risk factors contained therein, before applying in the Issue. Full copy of the Red Herring Prospectus is available at www.sebi.gov.in and the websites of the BRLMs, BSE and NSE at www.investsmart.in, www.icicisecurities.com, www.sbicaps.com, www.bseindia.com, and www.nseindia.com respectively.

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS :ABN Amro Bank N.V., Centurion Bank of Punjab Limited, HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank, State Bank of India Limited and Yes Bank Limited.

"This communication has been prepared for publication in India and may not be released in the United States. This communication does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended or an exemption therefrom. The issuer or selling security holder has not and does not intend to register any securities under the US Securities Act of 1933, as amended, and does not intend to offer any securities to the public in the United States. The Company will not be registered under the US Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act. No money, securities or other consideration from any person inside the United States is being solicited and, if sent in response to the information contained in these written materials, will not be accepted. Securities for sale in any jurisdiction, including the United States, and any securities described in this communication may not be offered or sold in the United States in the absence of registration under the US Securities Act of 1933 or an exemption from registration."

For **Rural Electrification Corporation Ltd.**
Sd/-
Director

FUNCTIONAL FOODS

Food As Medicine

Beyond nutrition, foods gain a dimension: medical functionality

NUTRACEUTICALS: "Let food be thy medicine and medicine be thy food"

MOST INDIANS KNOW THAT TURMERIC HAS HEALing properties. Some might also think, wrongly, that Western scientists are trying to hijack Indian knowledge about this plant. But few would suspect that this ubiquitous Indian herb is causing ripples in the scientific world, as scientists keep discovering new properties in this ancient plant. In the latest study on this compound, scientists at Michigan State University found last month that curcumin — the yellow pigment in turmeric — inhibits the reproduction of the herpes simplex virus at even low concentrations. Curcumin's anti-inflammatory properties are well documented, but it now turns out that it has anti-malarial, anti-HIV and anti-tumour properties, among a host of other healing effects. Will curcumin become the wonder drug of the future?

Not quite. Despite many observations in laboratories, scientists have not studied the effect of curcumin on human beings very well. Many aspects of curcumin's biological action are not well understood either. Scientists now suspect that curcumin also has anti-diabetic properties but they do not know the mechanism of its action. "Curcumin lowers the production of glucose in the liver, but its effect on muscles is not well understood," says Suresh Mathews, assistant professor at Auburn University in the US.

As scientists improve their understanding of this molecule's biological action, pharma companies the world over are waiting to exploit its curative properties. However, curcumin is not likely to be used too much as medicine, at least not in the conventional way. It would be part of food, of a specific variety called functional foods. In a few years from now, many of us might be eating curcumin as part of food. Not in the way Indians use it in their cooking, but as a specially formulated additive meant to control specific diseases over long periods of time.

Normal food, unless eaten purely for pleasure, is consumed for nutrition. The word functional food is used to describe any food that has a value beyond nutrition. They are thus specially fortified food for a specific purpose as well

SCIENCE BUZZ The fortnightly update on innovations and tech policies

Quiver Quotient

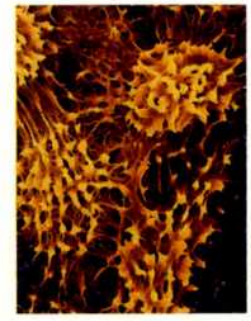
What happens when you suddenly stop while walking? Your knee jerks, true, but it also releases kinetic energy. And scientists at the University of Michigan have now developed a knee brace that can capture that energy, and convert it into electricity. Enough electric power is generated to operate small devices such as a portable GPS locator or a cellphone. Hikers and soldiers, who don't have easy access to electricity, will find it nifty. Even motorised prosthetic knees, pacemakers or neurotransmitters that today require batteries, could use the new technology.

Wide Angle

A team from Ohio State University, the University of Kansas and NASA combined digital techniques such as field mapping, remote sensing and satellite imaging to glean 'hidden' data from historic aerial photographs of Jakobshavn Isbrae, Greenland's fastest moving glacier, as many as 60 years after they were taken. They digitised them, removed the boundaries between them and turned several pictures into a single 'mosaic'. Such mosaics, which can be viewed in three dimensions, can dramatically impact climate projections and sea-level rise estimates.

Skin Deep

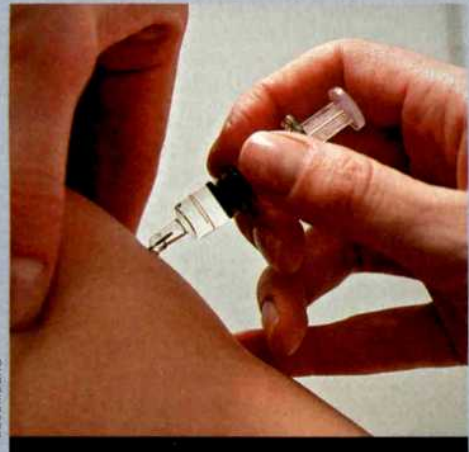
If you've missed the opportunity to store your child's embryonic stem cells (cells from the embryo), don't despair. Scientists at UCLA have reprogrammed adult skin cells and made them behave like embryonic stem cells. The reprogrammed cells have an identical biological structure and express the same genes as human embryonic stem cells do. Such cells could be 'cultured' to transform into healthy tissue, which could be used to replace damaged tissues in organs such as the heart and pancreas, and help treat debilitating diseases such as Parkinson's or Alzheimer's.



BLOOMBERG

HOW THINGS WILL WORK

Reinvent, Redefine And Re-engineer



BLOOMBERG

GOOD OLD DAYS: Vaccines as we know them, from methods of administration to their preventive role, are set to change

VACCINE TECHNOLOGY HAS UNDERGONE many revolutions in the past few decades. One of the biggest changes has been the application of genetic engineering techniques, which helped design vaccines without injecting microbes into an animal. It is no longer necessary to use live, weakened or dead microbes as vaccines. Genetic engineering provides us precisely with that part of the microbe that is necessary to trigger an immune response. Vaccines are set to undergo three other revolutions, but not in manufacture. The first is the route of administration. Traditionally, vaccines have been administered through injections. Now, vaccines are being developed that could be delivered through the nose as a spray, through the skin as a patch, and ultimately, through food as edible vaccines.

The second revolution will come in the nature of its use. Vaccines have been thought of as prophylactic; administered to prevent rather than cure a disease. Scientists are developing vaccines that can cure diseases through an immune response, even if the patient is unable to suppress the infection naturally. This approach is being tried against two types of viruses: the HIV and the Human Papilloma Virus.

The third revolution would to extend the use of vaccines to treat non-infectious diseases. For example, there are scientists who think that cancer can be treated through vaccines. This approach is still in its infancy but there will be diseases where the approach will work. In the future, vaccines will transcend the original concept of providing protection against a disease. They will become frontline therapy for many diseases.

AMIT VERMA

MOTHER'S RECIPE: According to modern science, the traditional Indian way of cooking makes perfect sense

as nutrition. As scientists discover more and more herbal compounds that have healing effects, the functional foods industry is busy trying to use them in different kinds of foods that could help control chronic diseases. Obesity and diabetes are on top of their priority list, but functional foods are also being developed for cardiovascular diseases, osteoporosis and digestive disorders.

Some of them are already in the market, even in India. Probiotic yoghurt — yoghurt with specific bacteria init — is a well known functional food all over the world. Fibre fortified bread, for example, can be classified as a functional food although it somewhat stretches the definition. Recently, Marico has started marketing some of its cooking oil as functional food. As these examples show, functional foods do not have to be complicated in theory. However, the new generation of functional foods being developed in labs would go well beyond fibre foods and healthy oils and bacteria-rich yoghurt. They are almost medicine. In fact, they will be medicine.

Recent studies have shown that fruit juices, despite the presence of large amounts of sugar, can provide many health benefits. Scientists at the University at Buffalo showed recently that orange juice is a healthy food even to diabetics because of the presence of flavanoids — a broad category of compounds derived from plants. Drinking orange juice is, thus, healthy, but it is normal food. But it could be turned into a functional food through the addition of other ingredients, and turned into medicine. Which is what research at the University of California (UC) in Davis tries to show.

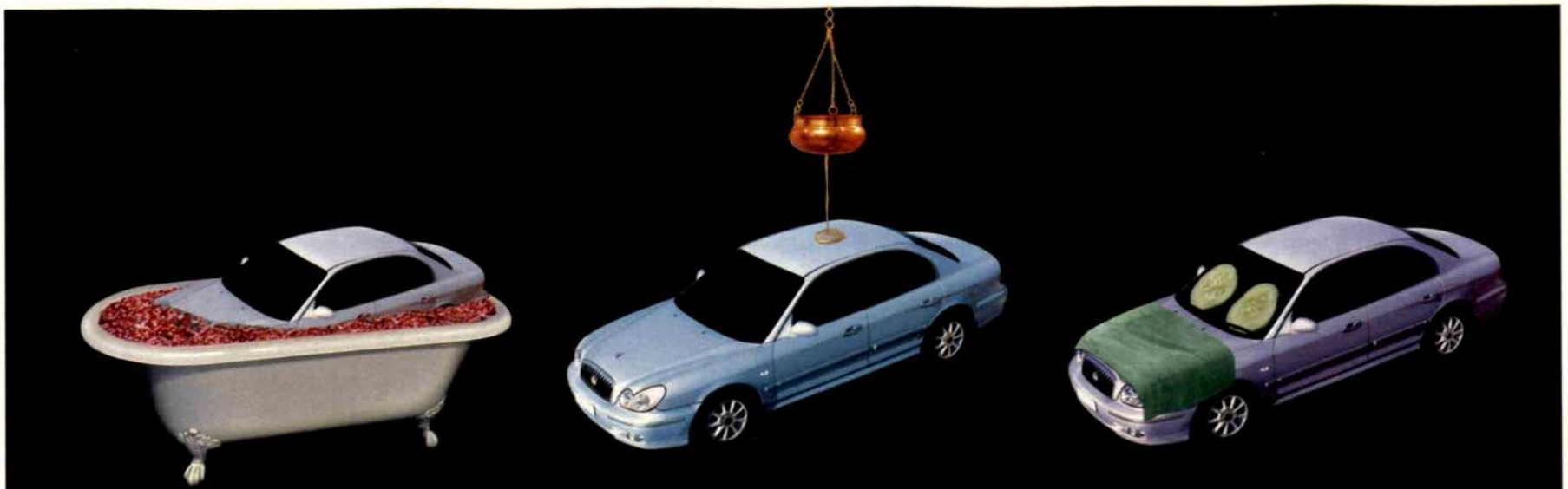
Sridevi Devaraj and Iswarlal Jialal, professors at the department of medicine and pathology at UC Davis, studied the effect of low-calorie orange juice fortified with sterols, plant-based steroids that can lower cholesterol. They found that such orange juice reduced both low density lipids (LDL) and C-reactive protein, a molecule increasingly associated with inflammation and heart disease. Reducing both LDL and C-reactive protein in the blood will reduce the risk of heart attack considerably more than either factor alone. We could probably give sterols as a supplement. But it works better as a functional food. "Studies have shown that functional foods are generally better accepted than supplements," says Devaraj,

Every day, biology laboratories around the world are announcing the beneficial effects of some plant-derived ingredient. Last week, scientists at the London School of Medicine and other UK-based institutions showed that drinking a glass of beetroot juice a day can lower blood pressure significantly. Regular consumption of beetroot juice is thus beneficial for hypertensives, but it may not be practical because you would then need to drink a different vegetable or fruit juice for each disease. "Convenience is a major factor in the development of functional foods," says Swaminathan Subramanian, head of business development in Rheoscience, a Danish drug discovery company venturing into functional foods (Rheoscience has a collaborations with some Indian companies to develop functional foods). In fact, the art of combination is one of the principles of developing functional foods.

Consider curcumin itself. It has been shown that curcumin absorption improves with piperine, a molecule found in pepper and chillies. The traditional Indian way of cooking with turmeric and chillies makes perfect sense, according to modern science. However, the amount of turmeric that we use, while providing some beneficial effects, is not enough to control many chronic diseases. Indians consume, at the most, 100 mg of curcumin a day. Curcumin as functional food might need as much as 6 mg or even more. Clinical studies have shown that people tolerate up to 8 grams well without toxic effects. How much curcumin should a functional food contain if it should help control diabetes?

As scientists come up with answers to these questions, functional foods can go from simple formulations to complex ingredients containing tens of substances. And that could spawn a revolution in both the healthcare and food industries.

P. Hari in San Francisco



Pamper your car like never before. Only at an IndianOil XtraCare outlet.

Complete vehicle care begins at your IndianOil XtraCare retail station. From branded auto fuel fills to speedy windshield wipes to quick oil checks and snappy air services, you will experience superior services that will leave your vehicle feeling special. So the next time you want to tank up, drive into an IndianOil XtraCare retail station in your neighbourhood and pamper your vehicle like never before. You will experience vehicle care beyond compare.

IndianOil XTRA care
Fuels and More

Hum Taiyyar Hain

• Prompt Billing • Swift Windshield Wipes • Fast Fuel Fills • Quick Oil Checks • Speedy Air Service

MARINE ECOSYSTEMS

Pumping Iron

Iron feeding, the quick-fix for climate control is not the most eco-friendly

TO FE OR NOT TO FE? That is the question the scientific community seeks to answer since the past 25 years, when John Martin, an oceanographer at the Moss Landing Marine Laboratory in California, suggested that addition of iron (Fe) to oceanic waters could spur the growth of algae and hence absorb greater amounts of carbon dioxide (CO_2) — a gas that contributes significantly to global warming — from the atmosphere.

In spite of high nutrient — such as nitrogen and potassium — presence, in certain oceanic regions, the growth of algae is stifled by lack of iron — its chemical symbol is Fe — which is a micronutrient. Micronutrients are essential nutrients, trace minerals or vitamins which are required by an organism in minute amounts. When added in small quantities in a process called ocean iron fertilisation (OIF), Fe induces the growth of algae that eventually die and sink to deep sea beds, taking particulate carbon along with them and thus, keep it out of circulation.

While about 11 expeditions have been undertaken to gauge the efficacy of this process as a viable option — and which could then be used in the carbon credit markets — it's not proven yet. On giving the ocean system such an iron 'jolt', a number of not-so-good consequences are inevitable: the depletion of oxygen from deep sea regions due to dead algae decomposition, emission of other greenhouse gases, such as methane and nitrous oxide, and an imbalance in aquatic food chain due to excessive absorption of nutrients by algae. Such effects are not restricted to the area under fertilisation alone. The demand for nutrients in the region under fertilisation will result in leaching off nutrients from other areas leaving them unproductive.

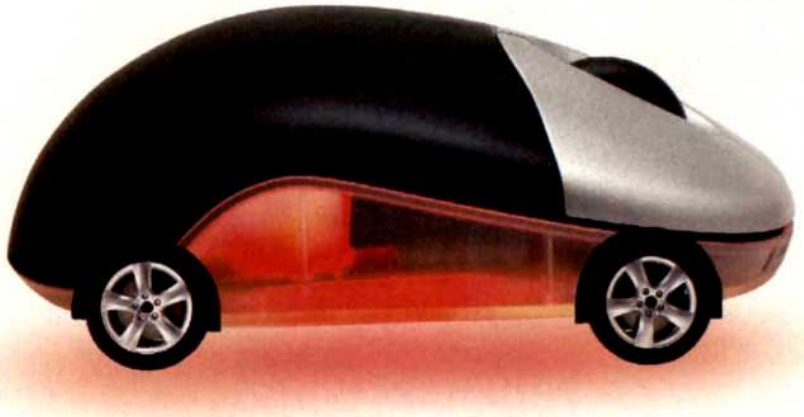
Taking another shot at unravelling the mystery of how much carbon is actually taken out of circulation and how much of it finds its way back into the ecosystem, Wajid Naqvi, scientist at National Institute of Oceanography in Goa, is heading a planned $4-million Indo-German expedition, LOHAFEX, to the north of the Antarctic in early 2009. The one-and-a-half-month expedition, a joint venture between India's Council of Scientific and Industrial Research and Alfred Wegner Institue for Polar and Marine Research of Germany, will observe the effects of fertilising a 2,500-sq km area with 20 tonnes of ferrous sulphate. While the scientific community is yet to determine the repercussions of ocean iron fertilisation, some commercial organisations have gone ahead and deployed the mechanism live. For instance, on 6 November 2007, San Francisco-based Planktos, a for-profit ecorestoration company with offices in the European Union and British Columbia, pumped in Fe into an undisclosed region in equatorial Atlantic Ocean in fear of being persued by environmentalists, the Sea Shepherd Conservation Society, in particular.

Scientists, obviously, are not thrilled. "We are not convinced that as yet, there is any scientific basis for issuing carbon credits for OIF," says Naqvi. "While the concept holds potential, the time is not yet right. When OIF is applied on a mass scale, it should be done by a body such as the UN to ensure no commercial interest."

Manashwi

RUSTED IRONY: Iron catalysed algae blooms instantly absorb CO_2 from surroundings

Visit your bank from wherever you are, anytime.



Net Banking at its best.

Access your account wherever you are. Register today and unleash the power of technology.

24565

Get a world of free benefits:

- Internal funds transfer
- Receive account summary
- Statement of Account
- Cheque & Cheque Book status enquiry
- CASA/Term Deposit/Loan Account details
- Stop Payment of Cheques
- Enquiry about Forex transactions

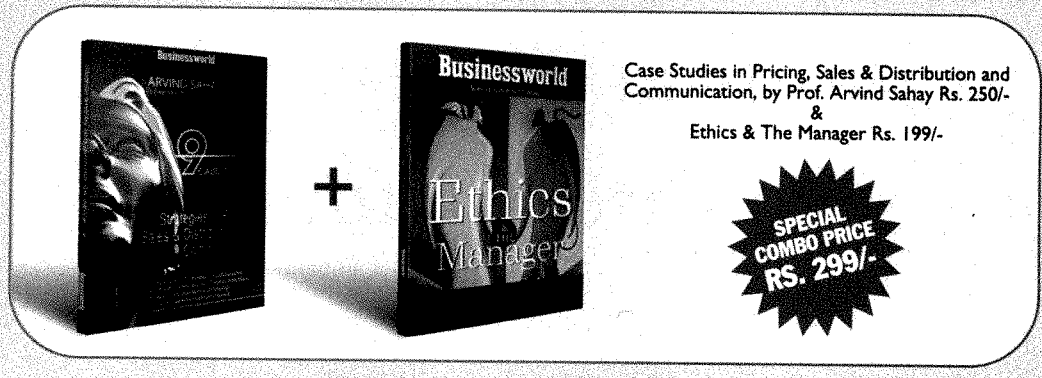
KVB **Karur Vysya Bank**

Smart way to bank

Regd. Office: Erode Road, Karur - 639 002. www.kvb.co.in

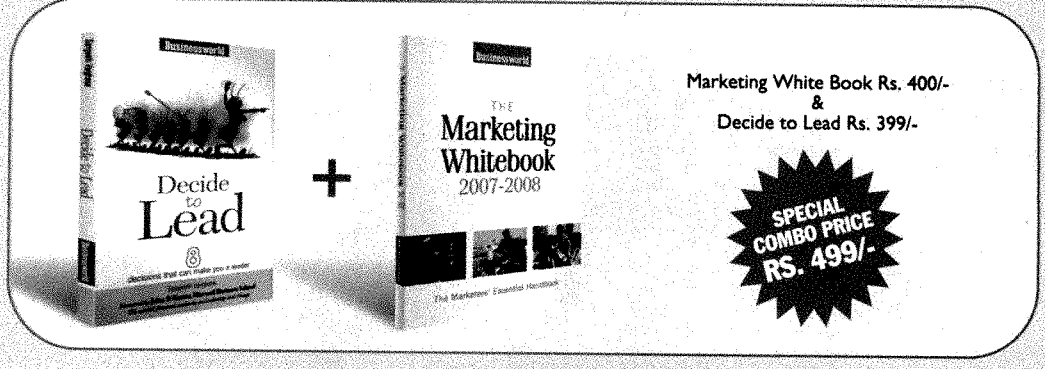
PRESENTING

NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.



Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-



Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order, fill this form & mail it to us:

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

In case you wish to gift the books, please fill in the following information:

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499/

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amoun

of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg New Delhi- 110002. Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-22€ 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147 Email id: businessworldsubscriptions@abpmail.com.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation o the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

LUXURY

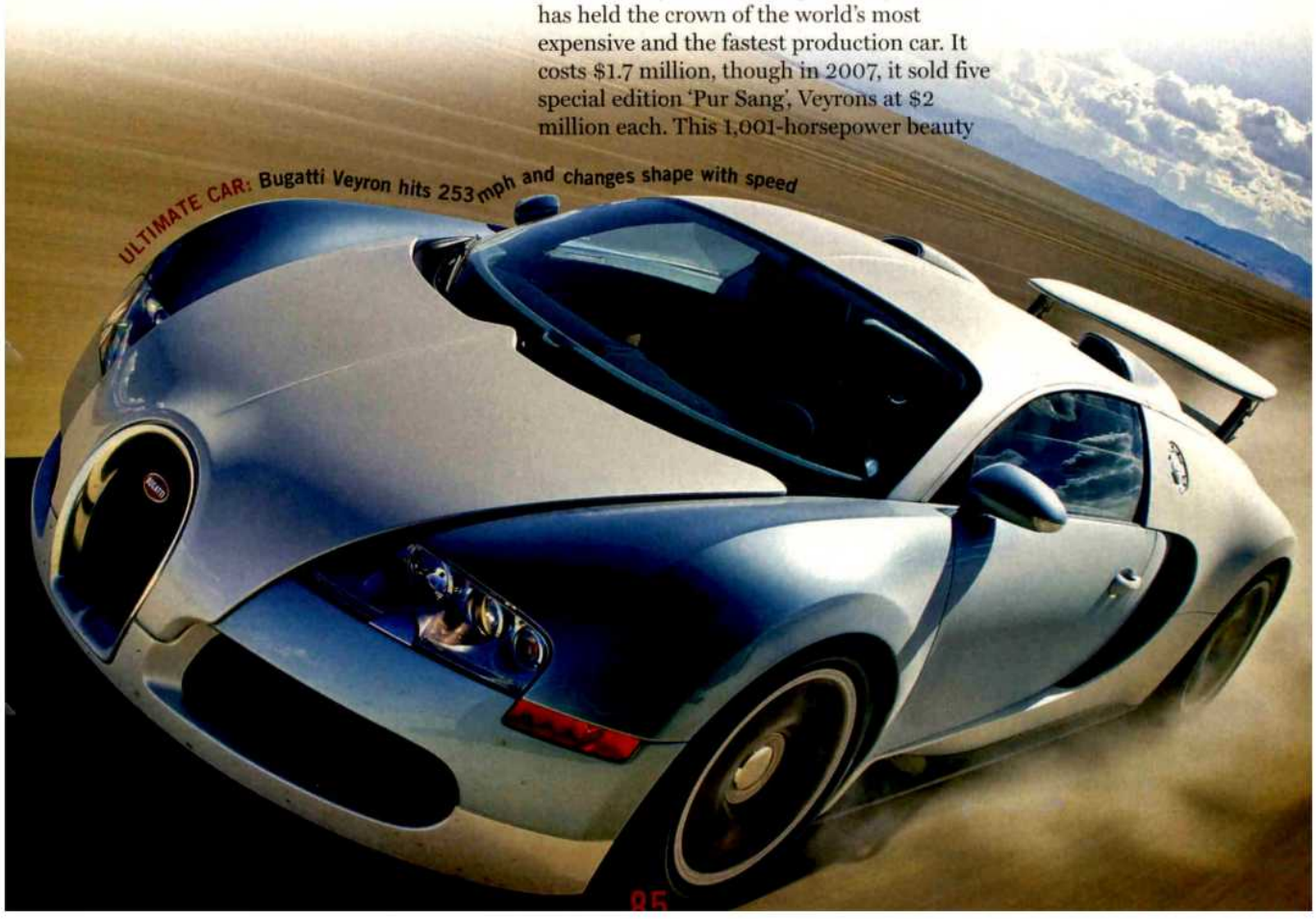
Ultra cars

They are supremely fast and cost over a million bucks. Veyron and Reventon are a rare

ONE MAN'S LUXURY IS ANOTHER'S BANALITY. Nowhere does this apply better than the world of ultra cars. Rolls, Bentleys and Porsches at less than $500,000 are modest cars in this league. Not many brands can sell cars for more than a million bucks.

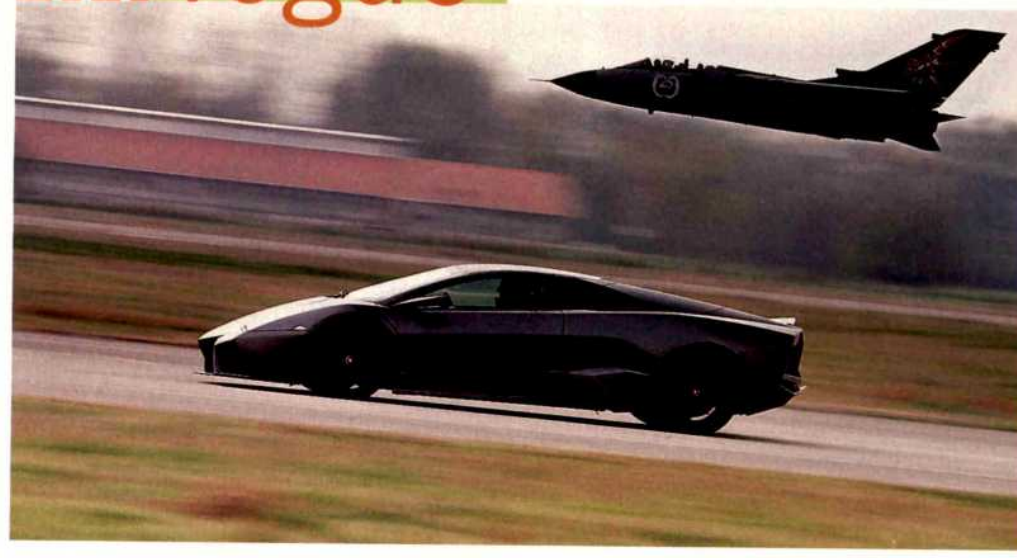
The million-dollar cars are mindbogglingly fast, they look like nothing else in the world; and they are road legal too. Currently, only two production cars occupy this pinnacle of the luxury cars market — Bugatti and Lamborghini. However, there are others looking to break into this exotic segment.

For three years now, Bugatti's Veyron 16.4 has held the crown of the world's most expensive and the fastest production car. It costs $1.7 million, though in 2007, it sold five special edition 'Pur Sang', Veyrons at $2 million each. This 1,001-horsepower beauty



ULTIMATE CAR: Bugatti Veyron hits 253 mph and changes shape with speed

In Vogue



CAR WITH A BOMBER'S SOUL: Lamborghini Reventon is worth a million dollars for its looks, though it is a Murciélago inside

has recorded speed of 253 miles per hour. But in September 2007, it was upstaged by America's Shelby Super Cars's 1,183-hpUltimate Aero (costing $600,000) that reached peak speed of 257 mph. But Aero lacks the oomph of Bugatti's personality.

The greatest tribute to Veyron came from Jeremy Clarkson, the witty automobile reviewer from the UK, who was asked what he would sacrifice to lay his hands on a Veyron. What he said in reply roughly translates into 'genitals'.

Veyron's special appeal lies in its driving experience. The car changes shape according to the speed. After 135 mph , the car lowers itself by a couple of inches and its rear spoilers shape up to press the car down. However, to go faster than 230 miles an hour, you have to turn a key in the floor of the car, which lowers the car further and downs the spoiler. At that speed, don't even think about making a turn.

$8-MILLION BABY: This one-off Maybach Exelero clocked peak speed of 218 mph

Lamborghini, another Italian exotic car maker, invaded Bugatti's territory in September 2007 with its $1.4-million Reventon. Though this car is the $300,000 rr LP640 under its skin, it has claimed its spot beside Veyron on the basis of its fantastic body. This 650-hp road warrior has gone upto 224 mph.

Reventon is designed after the F-22 stealth bomber made by Lockheed Martin. Most auto critics rate it the sexiest looking car in the world at the moment.

Unlike the shiny finish of super cars, Reventon has a matte skin, that too grey-green. This coupe houses the driver in a pilot-like seat with a liquid crystal display (LCD) instrument panel instead of the regular dashboard with needles and numbers.

However, unlike Veyron, driving Reventon even at slow speeds requires some learning — the driver's view is cramped and the acceleration can be abrupt. But, Lamborghini is all about machismo. Also, it is not for the environmentally sensitive. Every kilometre it goes, it emits a kilo of carbon-dioxide.

America's DiMora Motorcar is trying to break the Italian monopoly in the million-dollar car market by producing 1,200-hp Natalia cars beginning 2009. The real novelty of the car will be that it will be a four-seater sedan unlike the Italian coupes.

However, the most expensive ultra car put on road this decade came from Mercedes Maybach — Exeloro, priced at $8 million. It was commissioned by Fuldo, the German tyre supplier to Maybach, to test its Exelero tyres. It achieved a top speed of 218 mph. The one-off car made in 2005 was a coupe designed by Stora of Italy. It was picked up by a mystery American buyer.

If speed is your fix and exclusive luxury is your fetish, what is better than owning a million-dollar ultra car.

Feroz Ahmed

Sundram Fasteners Limited

UNIT HEAD - HOT & WARM FORGING (Job Code - UH-HWF 01)

Sundram Fasteners Limited, a global leader in automotive components, is looking for a **Unit Head** for its Hot & Warm Forging Unit in **Pondicherry.** We require a dynamic, motivated leader between 40 and 45 years of age, who is eager to grow with us and who is ready to enter into a mutually productive relationship.

The company, which is a part of the TVS group, operates globally in India, China, U.K, Malaysia and Germany, has a turnover of over US $ 364 million. Products include lug gears, connecting rods, crankshafts, fan hubs, transmission hubs, CV joint parts, bevel gears, transmission parts, injector levers and rocker arm.

Profile:

The Unit Head will be responsible for coordinating unit operations and aligning them to strategic vision, organizational goals and customer expectations. The selected candidate will report to the divisional head at the E VP Level.

Global practices should be studied and adapted to ensure manufacturing excellence and achieve sales targets. The market must be continuously explored to find opportunities to increase business growth. The selected candidate will be expected to create a high performance work culture based on TVS ethics.

Qualification:

Graduate degree in Mechanical Engineering with knowledge of hot forging, metallurgy, CNC machining, heat treatment and process. Specialization in a related field or a post-graduate degree in business management would be an added advantage.

Experience:

Around 15-20 years with a minimum of 5 years in hot forging auto components. Applicants should have at least 2 years experience in running a hot forging unit, controlling manufacturing, planning, maintenance, quality, material handling, finance and human resource. Exposure to TPM / TQM / Lean Manufacturing and Six Sigma are required.

Skills:

The ideal candidate should have worked in a multi-product, multi-process, multi-customer environment.

The candidate should be a high achiever with a strong work ethic and innate integrity. This person should be an effective leader, whose example would inspire the team and who knows how to bring out the best in others. Networking and good interpersonal skills are essential. Familiarity with those in the industry would be an asset. Working knowledge of Tamil is desirable.

Interested candidates may apply within 7 days mentioning the Job Code as "UH-HWF 01" to careers@corp.sfl.co.in, or to:

The Vice President - HRD

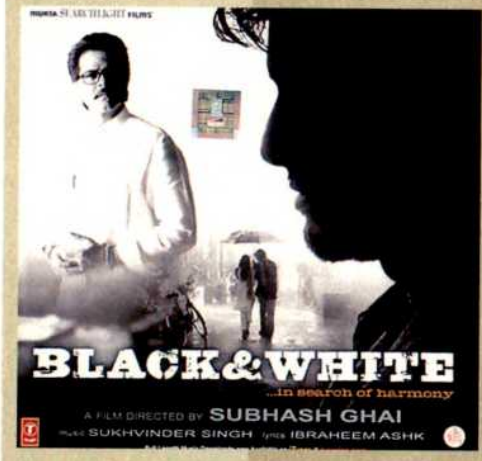
Sundram Fasteners Limited

98-A, 8th Floor, Dr Radhakrishnan Salai, Mylapore,

Chennai - 600 004.

Entertainment

SOUND OF SENSITIVITY



THIS IS AN UNUSUAL Bollywood music album. Singer turned composer Sukhvinder Singh of 'Chaiyya Chaiyya', and 'Dard-e-Disco' fame has turned out a refreshing score for Subhash Ghai's communally-sensitive film, *Black & White*. Singh has carried on from his impressive work in Rajkumar Santoshi's social commentary, *Halla Bol*.

Singh's score reflects the movie's theme of love in times of hatred. Moreover, his folksy, semi-classical compositions are a treat for the ears. He also revives the devotional qawwali format with 'Haq Allah' in which he has collaborated with Hans Raj Hans, the Punjabi folk singer who recently got decorated with the Padma Shri award, ghazal maestro Jagjit Singh also makes an appearance on this album with a soulful 'Ye Hindustan Hai'.

Being a singer himself, Singh gives more room to the vocalists. It helps that he has fairly meaningful lyrics by Ibrahim Ashq to work with.The instrumental frenzy is left for the remix versions added to the album.

Those with ear for percussion will particularly enjoy 'Jogi Aaya', which is loaded with slow, lilting beats.

Ghai has used the music mostly as a backdrop to situations and action rather than in song-and-dance sequences.

"Sukhvinder's music lifts the film to a much higher level," he said at the release of Black & White's music. The film is scheduled for release on 7 March.

Feroz Ahmed

MUSIC

Beatle mania in space

BLOOMBERG

THE FAB FOUR: John, Paul, Ggeorge, and Ringo's music still fascinates people

IT HAS BEEN 44 YEARS since the Beatles released their first album — *Please Please Me* — and 39 years since the fab four last played together, on a rooftop on Saville Row in London. Still, Beatlemania lives on.

American space agency NASA recently tried to charm extra-terrestrials into revealing themselves by beaming the Beatles' song 'Across the Universe" at stars far, far away.

No rock and roll band has maintained its grip over popular culture for as long as the Beatles. In 2007, a musical movie, *Across the Universe*, was produced by Julie Taymor. The movie featured 31 Beatles songs to tell the story of a young Briton, Jude, who travels to the US in search of his father. *Across the Universe* has been nominated for an Oscar this year.

In 2006, Cirque Du Soleil produced the hit show *Love*, named for a Beatle's song. The show featured dancers, actors and athletes performing to re-mastered Beatles' songs. Legendary Beatles' producer Sir George Martin and his son, Giles, reworked the originals especially for the show.

This year's Grammy awards, paid homage to the group with songs taken from Taymor's movie and the Cirque show. Somewhere across the universe, a bunch of aliens are going to be really happy those Liverpool boys made their merry music.

Pierre Mario Fitter

Disney Castaway Cay: Disney's private island resort offers a magical getaway with a Bahamian cruise, facilities for snorkling and more

AP

TRAVEL

Saving bird paradise

BHARATPUR, THREE hours' drive from Delhi, used to be a bird watcher's heaven till a couple of years ago. But now, the routine of sneaking up on colonies of nesting painted storks, feeding herons and dancing flamingoes in boats, and walking through kilometres of foliage spotting hundreds of species of birds seems like a distant memory at Bharatpur.

This winter, the migratory birds, which fly in from China, Central Asia, and as far as Siberia to escape the harsh ice season flew past Bharatpur to a lake 50 kms away near Agra. In fact, the bird sanctuary is so dry now that it will be closed in summer to prevent bush fires.

Founded by the local ruler in the 1870s and a World Heritage Site since 1985, this winter capital of the Asian birds has run dry because of low rainfall in the area and the lack of water supply from the neighbouring Panchana dam on Gambhiri river.

But have heart. Under pressure from bird watchers from all over the world, the Rajasthan government has decided to build a pipeline to fetch water from the Yamuna river for Bharatpur's 29 sq. km. swampland. The proposed 16-km pipe will link the sanctuary to Goverdhan drain, which carries Yamuna's flood waters.

Hopefully, next winter you will again see tens of thousands of colourful, chirpy, and even rare birds at Bharatpur.

Feroz Ahmed

PARADISE LOST: Bharatpur has no water or food for birds now

BON VIVANT

Smoke signals

THOUGH SMOKING IS NO LONGER FASHIONable, premium cigars are gaining popularity as a totem of high life. In 2007, more than 4 million assorted cigars were sold in India. Even the non-smokers light up cigars to celebrate occasions, as cigar smoke is relished for its aroma and is not to be inhaled. Most cult cigar brands are now available in India, including Cohiba that Fidel Castro smoked and Davidoff.

The best cigars are hand rolled. Amrish R Anand, CEO International at Godfrey Philips India, points out that the premium hand-rolled cigars take at least 2-3 years to make and go through 65 manual operations from seed to wrapping. This explains their high price. Hand-rolled, long Davidoff cigars sell for Rs 1,400 a piece and Cohibas for Rs 1,000 each.

The wrapper leaf of a cigar tells you its strength — the darker the wrapper, the stronger and sweeter the cigar will taste.

Premium cigars need proper storage at controlled humidity levels. It is pointless to light dry or soggy cigars. Premium humidors, made with gabon or cedar wood, cost between Rs 50,000 and Rs 3,00,000 in India.

Cigar smoking and serving has its etiquettes. To light a cigar, connoisseurs use smoldering cedar strips, not matchsticks or lighters. They cut their cigars themselves and do not appreciate being offered cut cigars. A partially-smoked cigar is not stubbed, but left to extinguish itself for it to offer same flavour and aroma later.

While it is OK to light up once in a while, it is best to leave it for celebrations only.

Feroz Ahmed

AP

BOOKS

Rebound

Gautam Jetley revives forgotten books from India's rich and exciting past

IN THESE DAYS OF TELEVISION-TOLD HISTORY through glossed up battles and romances, it is a pleasure to acquire books that originally recorded history.

Publisher Jetley, the owner of Asian Educational Services (AES), has made a business of re-publishing antique books. The AES pavillion at the recently-concluded International Book Fair in Delhi stood out for its quaint treasures amidst piles of monotonous tutorials and trashy pulp fiction titles.

Jetley's beautifully reproduced books could easily belong in a Victorian-era library - titles in embossed letters on the rich leather covers. Browsing through his library is like travelling back in time. He even has transcripts from the trial of Mangal Pandey and the first-hand accounts from excavations at Mohenjodaro.

These facsimile reprints preserve the many fascinating stories of India's past that would otherwise have been forgotten. While several books read like anti-India rants from imperialistic authors, many others are what Jetley calls a "pure, no-holds-barred academic inquiry" into India's past. One such book is by British explorer James Princep, who in the 1830s deciphered the forgotten Brahmi script and then painstakingly pieced together emperor Ashoka's story from a few surviving stone edicts, pillars and scattered tribal legends.

At one time, Jetley would find many of his books while scouring the dusty backrooms of old bookshops around the world. Today, he searches for them on Internet too. Some cost him as little as Rs 50 whereas for one rare manuscript, he paid as much as Rs 1 lakh.

Jetley insists on givng his reprint a vintage look. For him, these books are as much about owning a piece of history as about the information they contain. So, he personally designs the layouts and covers of each book.

Jetley's father, Jagdish Lall Jetley founded AES in 1973, to publish dictionaries in rare languages. Head to him if your're studying Eskimo, Bashgali or even Car-Nicobarese. Today, AES' catalogue has 1,500 books on subjects ranging from history to culture to travel. Most have limited print runs; usually less than 1,000, making them real collectibles.

Though most AES books sit in academic libraries, some find their way into the hands of serious private collectors such as Ebrahim Alkazi, the doyen of Delhi theatre.

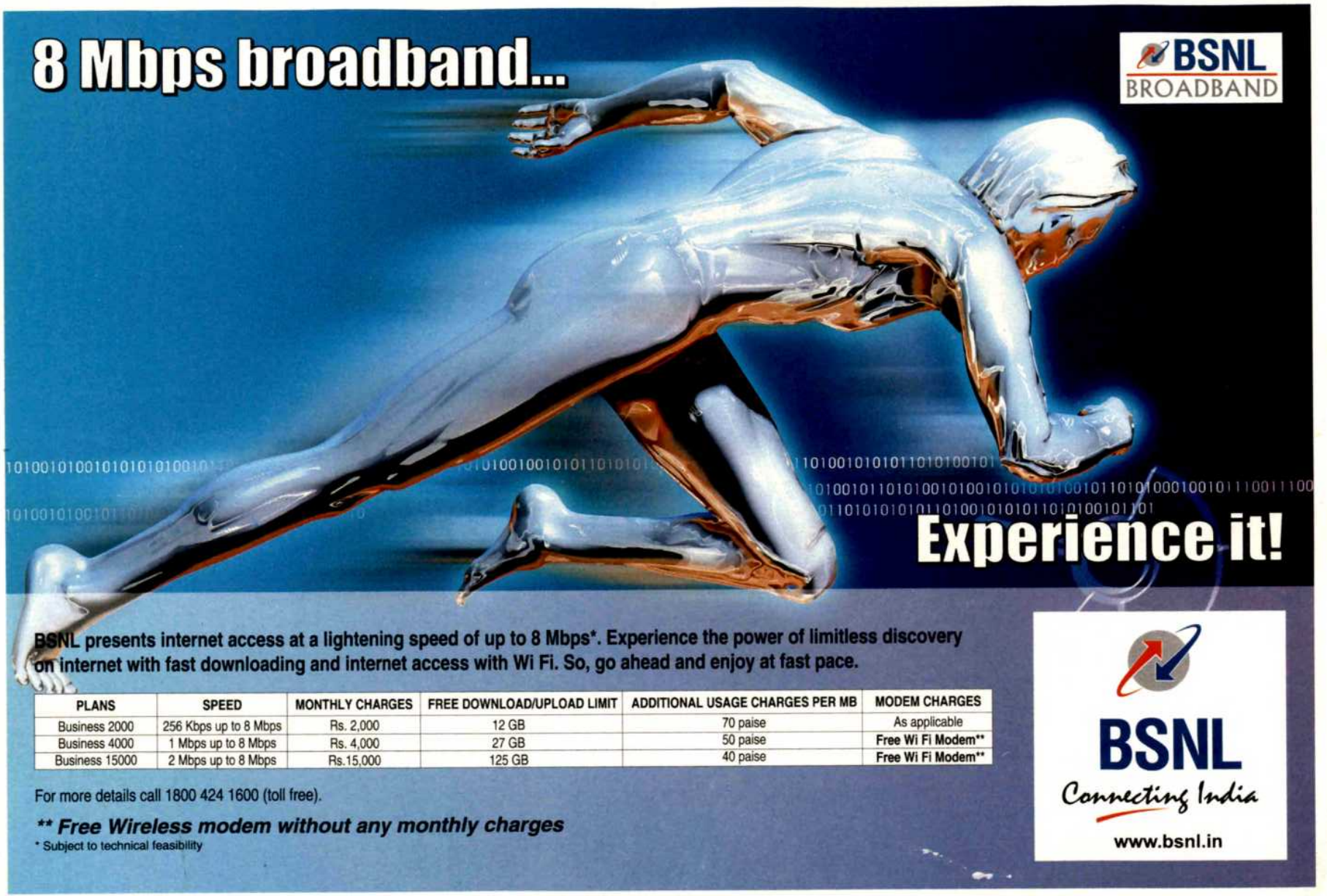
"Then there are others who buy only the covers of my books to show off on their book shelves," says Jetley with a laugh.

Pierre Mario Fitter

ANCIENT WISDOM: A couple browses through once-lost titles at Jetley' stall at Delhi's book fair

8 Mbps broadband...

BSNL BROADBAND



Experience it!

BSNL presents internet access at a lightening speed of up to 8 Mbps*. Experience the power of limitless discovery on internet with fast downloading and internet access with Wi Fi. So, go ahead and enjoy at fast pace.

PLANS	SPEED	MONTHLY CHARGES	FREE DOWNLOAD/UPLOAD LIMIT	ADDITIONAL USAGE CHARGES PER MB	MODEM CHARGES
Business 2000	256 Kbps up to 8 Mbps	Rs. 2,000	12 GB	70 paise	As applicable
Business 4000	1 Mbps up to 8 Mbps	Rs. 4,000	27 GB	50 paise	**Free Wi Fi Modem****
Business 15000	2 Mbps up to 8 Mbps	Rs.15,000	125 GB	40 paise	**Free Wi Fi Modem****

For more details call 1800 424 1600 (toll free).

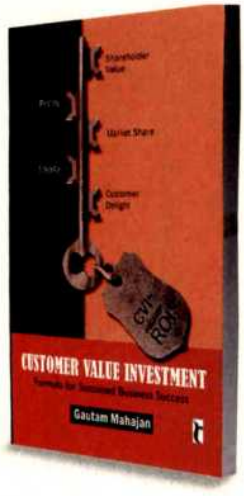
***** Free Wireless modem without any monthly charges***

* Subject to technical feasibility

BSNL

Connecting India

www.bsnl.in



The Customer Is God

by saurabh srivastava

CUSTOMER VALUE INVESTMENT
FORMULA FOR SUSTAINED BUSINESS SUCCESS
BY GAUTAM MAHAJAN RESPONSE/SAGE PRESS, PAGES: 187; PRICE: Rs 295

IT IS NOT OFTEN THAT A 'BUSINESS' BOOK OFFERS the kind of excitement that you can get when reading a thriller — stumbling onto a vital clue, unravelling a complex plot, the sudden realisation that you are on to something big. But every now and then comes along a book that does precisely that. *Future Shock* did that for me many years ago. More recently it was *Fortune at the Bottom of the Pyramid* where C.K. Prahalad so simply and elegantly propounds his thesis on why the poor need to be seen as a market rather than a liability and how considerable good can be done, even while making money. And I am delighted that I have now come across a third.

Gautam Mahajan's book *Customer Value Investment* makes absolutely compelling reading, and as you turn the pages, you can feel that history is being made again. The 'quality' movement changed businesses forever. As a founder of IIS Infotech, the first Indian software company to get international quality certification, I know what that meant. The fascination with Customer Relationship Management (CRM), however, has yet to yield the kind of benefits that were talked about. As one reads this book, one begins to see why.

Total Customer Value Management (CVM) is an innovative and path breaking concept which will transform corporate thinking and give a new meaning to customer focus. While companies are aware that customers are important, they often forget, in the midst of their other priorities, that that is the only reason they exist or prosper. And most are convinced anyway that a focus on quality and customer satisfaction is enough. It is, therefore, revealing when Mahajan points out that "customer satisfaction does not lead to customer loyalty if customer expectations are substantially higher than the actual delivery", and that "customers see value only when they are offered goods and services that complement their own value systems on physical, intellectual and emotional planes (e.g. quality, value for money and style)."

The book explains with crystal clarity why one needs to move ahead from CRM to CVM. But this is no abstract treatise. While most books expound concepts, where Mahajan really scores is in taking us from a path-breaking concept, through a framework of customer circles, measurements, metrics, value maps, etc., to an executable implementation plan. The easy-to-read style and the conversational story format allow the author to explain even the most complex issues with relative ease. The book starts off by being deceptively simple and the reader, without being aware of it, is slowly drawn into increasingly complex concepts and full-blown company cases. It touches virtually all levels of executives who can relate to the story characters in their job functions.

Perhaps, the most powerful element of the book is that it shows, in a measurable way, how focusing on customer value can increase a company's profits, that is, how customer value investment (CVI) can lead to a higher ROI. Typical of the many gems in this book is the following — "companies must decide what value they should provide to the customer. If the Customer Value Add (CVA) is very high, or if the quality rating vs competition is over 1.1 (this is what I mean by measurable frameworks), a company should be asking if it is providing unnecessary quality and can perhaps increase market share by reducing price and decreasing a product feature or an aspect of quality where the company's rating is extremely high."

Thus, through the use of value maps and other such frameworks defined in the book, a company can use CVA to price its products and measure the actual worth of the various fea-

GAUTAM MAHAJAN is an expert in business strategy, management and globalisation. President of Inter-Link Services, an international consulting firm, he is a former President of the Indo-American Chamber of Commerce. He helps companies implement Customer Value Management. With 18 US patents to his credit, he has an MBA from Suffolk University and fellowships from Harvard Business School and Illinois Institute of Technology.

BROWSING
G.B. Prabhat
Founder and CEO, Anantara Solutions

At the moment, I am reading by ARTHUR KOESTLER'S The Act of Creation. The book is perhaps the most comprehensive and rational explanation for the act of creation. I have been following Latin American literature for some time now, and am also reading JULIO CORTAZAR'S Blow-up: And Other Stories. I read a range of books and to borrow a phrase from Canadian writer Robertson Davies, "I am a rake at reading." I often find that one good book leads to another.

tures of the products, as viewed by the customer. Using the CVA data analysis, a company can also decide what areas to work on to change their value ratings to the desired one, with the least amount of stress, effort and expense.

The beauty of the book is that following its concepts benefits the company and its customers. It provides the tools for CVM, that is, analysing where we are (waterfall of needs, quality/price attributes, etc.), where we want to be (value maps, etc.) and how to get there (customer circles, etc.). And shows how, by using these tools and CVA for pricing and business decisions, a company can develop the formula for sustained business success.

Saurabh Srivastava is the Chairman Emeritus of Nasscom and Chairman of Indian Venture Capital Association and Asia-Pacific Venture Capital Association

SELECTION 1

Those Who Made India

ICONS MEN AND WOMEN WHO SHAPED TODAY'S INDIA
EDITED BY ANIL DHARKER
LOTUS/ROLI
PAGES: 274; PRICE: Rs 395

THE PAST SIX DECADES HAVE BEEN THE MOST eventful in the history of what we today know as India. From an acutely impoverished, but resilient, nation in 1947 to a touted economic superpower in the making today, India has evolved splendidly. Working hard towards attaining this makeover were men and women whose achievements have left indelible marks on India's growth as a nation. ICONS: MEN AND WOMEN WHO SHAPED TODAY'S INDIA is a tribute to some of these great people.

Icons is a collection of essays on some of India's greatest living legends who have made significant contributions to their respective fields, from art to politics to cinema to medicine to science and technology. These include the likes of APJ Abdul Kalam, Ratan Tata, Prannoy Roy, and Zubin Mehta.

Some of the essays in this book are simply summarised biographies of these legends, written by people who have either worked in close association with them or have followed their lives and work closely. However, there are other essays, such as the one on Baba Amte (who passed away shortly after the release of this book) by Darryl D'Monte, which are more than just a treatise on their lives and take the reader a step further into understanding their contributions to changing the face of modern India.

It is, perhaps, a matter of personal judgement, but there are certain figures featured in this book whose inclusion seems a bit undeserved and several others whose exclusion seems a bit unfair. Also, one can only wonder why cricket dominates the Indian sports landscape so much that the only two iconic figures representing Indian sports in this book are Sunil Gavaskar and Sachin Tendulkar.

—Jayant Singh

SELECTION 2

A Soviet Roadtrip

DOMINIQUE LAPIERRE AND Jean-Pierre Pedrazinni, two young reporters for *Paris Match*, get a crazy idea. They want to drive across 1950's Soviet Union and write about it. ONCE UPON A TIME IN THE SOVIET UNION (Full Circle) is the first English tanslation of Lapierre's original French account.

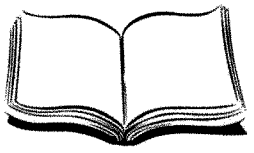
Weeks after they make their audacious request to Nikita Krushchev, they receive a telegram inviting them and their wives to make the trip. Thus begins a three-month odyssey behind the Iron Curtain. The quartet is joined by Stanislav 'Slava' Petoukhov, a soviet journalist, and his wife Vera. The adventures of the three young couples are endearing and often poignant. The stark contrasts between western and Soviet lifestyles fill much of the book.

To the French, the isolated communist way of life is strange and without reward. For the Soviets, it is the path that will 'solve all problems'. Yet, despite their divergent worldviews, the young travellers forge a lasting friendship. Lapierre and Pedrazzini dutifully record their encounters with the people of the various Soviet republics. A forest warden near Brest-Litovsk, a Muscovite sales assistant, a Georgian surgeon; each individual leaves a mark on the hearts of the young Parisian adventurers.

But this story does not end happily. Only days after their return to Paris, Pedrazzini is called out to Budapest. There, Soviet tanks, sent to crush anti-communist protestors, end Pedrazzini's brilliant career in a volley of machinegun fire. As Lapierre writes, he is now "the only one left to set to music the 13,000 kms of happiness and friendship that this book records".

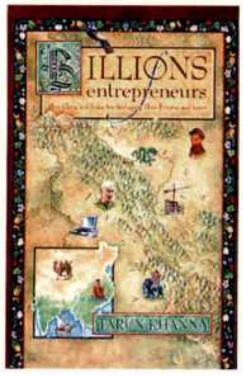
—Pierre Mario Fitter

ALERT



BOMBAY TIGER
BY KAMALA MARKANDAYA
PENGUIN/VIKING
Published posthumously, *Bombay Tiger* comes almost 25 years after Kamala Markandaya's last novel *Shalimar*. Set in the 1980s, the novel tells the story of Ganguli, a man who arrives in Mumbai armed only with his ambition and, over time, succeeds in becoming the city's biggest industrialist. Through Ganguli's dramatic rise and fall, Markandaya also captures, with both poignancy and humour, the dilemmas and challenges of a nation that is shedding its socialist legacy to embrace private enterprise.

Book Excerpt



Indian Lessons For Chinese Banks

BILLIONS OF ENTREPRENEURS
HOW CHINA AND INDIA ARE RESHAPING THEIR FUTURES AND YOURS BY TARUN KHANNA
PENGUIN VIKING, PAGES: 351; PRICE: RS 595

IN 1948 MAO ZEDONG CREATED A NEW BANK, AND not surprisingly called it the People's Bank of China. All banks in the country were nationalised and incorporated into the PBOC. For thirty years the PBOC was the only bank in the People's Republic of China, solely responsible for both central banking and commercial banking. By the early 1980s the functions of the PBOC were split among four new entities: the Bank of China, the Agricultural Bank of China, the Industrial and Commercial Bank of China, and the Construction Bank of China. Their collective mission was to support the economic and industrial policy of the government by making state-directed loans to state-owned companies.

Mao's move to directed lending, as opposed to hands-off lending by bankers to entrepreneurs, was so complete that Chinese banks have repeatedly made loans to any sick state-owned enterprise that asked, with no commercial criteria. The four largest state-owned banks still dominate the banking landscape, accounting for nearly 75 percent of loans and capital and presiding over non-performing loans worth $230 billion. Several attempts to recapitalise these banks have accomplished little. Their fates are tied to bankrupt state-owned enterprises virtually impervious to reform.

Another problem plaguing Chinese banks — one that has received much publicity — is corruption, petty and grand. At the same time they are making life difficult for small and medium-scale enterprises applying for loans, the state-owned banks are facing a series of scandals, revealing lax internal control and monitoring. In February 2005 several dozen people tied to the Jilin Province branch of the Construction Bank of China were charged by authorities with stealing $65 million from several branches starting in the late 1990s.

Corruption arises from the unchecked autonomy granted to provincial officials. The bankers are beholden to the local party officials — in fact the banker and policy maker are often one and the same — leaving no credible way to deter bankers bent on siphoning off funds.

The eagerness of Chinese bankers to have, or at least appear to have, good assets on the books contrasts sharply with the nonchalance of their counterparts in Indian state-owned banks who would rather buy government bonds. Chinese bankers know that their promotions up the Party hierarchy are tied to local growth. At the very least they must maintain a façade of local growth by not pulling bad loans and forcing defunct enterprises to close.

In the past few decades China, like India has witnessed a banking sector dominated by sclerotic state-controlled institutions. However, the evolution of Chinese banking differs in several ways from Indian banking. First, no bank like India's ICICI has emerged in China.Wu Li, a senior researcher at China's Academy of Social Sciences, explained, "All banks are de facto state owned, or at a minimum the state controls a majority of the shares. Banking is too important to the government because of the risk involved; it's the bloodline of a country; banking is something special.

Given the sorry state of affairs in China's banks, why do millions of Chinese citizens continue to invest in the banking sector? Part of the answer is that they have few alternatives. The roulette wheel nature of the stock market, one of the world's worst performing for many years, hardly inspires confidence. A lot of money that leaves China for investments in, say, Hong Kong then reenters the mainland masquerading as foreign money. The return legally available to Chinese-owned capital must be low enough to justify taking on the inefficiencies of moving capital in such a roundabout fashion. Of course another crucial piece of the puzzle is that government controls on capital prevent the Chinese from investing their money outside China, unencumbered by regulatory and legal barriers.

Learning From India, What A Shock

As early as 2001 the *China Economic Quarterly*, an English-language news magazine published in Beijing, had a column with the title "China Tries the India Thing." The article described the

TARUN KHANNA, is the Jorge Paulo Lemann Professor at the Harvard Business School. He works with entrepreneurs, companies and NGOs in emerging markets worldwide. In 2007, he was elected a Young Global Leader by the World Economic Forum

BLOOMBERG

GRAND THEFT: Several employees of China Construction Bank were charged with stealing $65 million in 2005

dilapidated state of financial markets in China and carried an admonition that unaccustomed as it was to looking to its southern neighbour for lessons on economics, China ought to learn from the rapid strides India had made in financial markets.

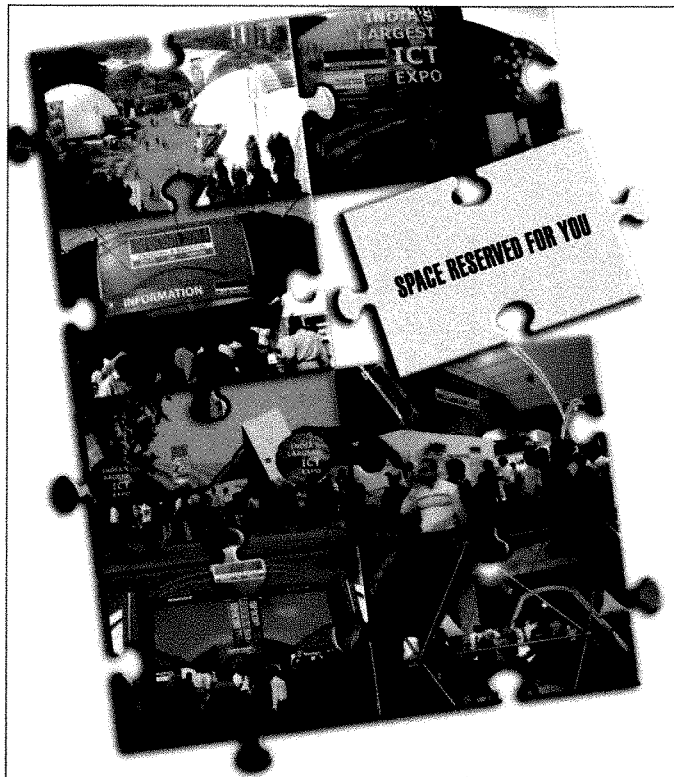
In both the Chinese and Indian financial systems, banks are much more important than equity and debt markets. Banking accounts for a high percentage of GDP in both countries. In 2005 domestic bank debt was 136 per cent of GDP in China and 60 per cent of GDP in India, whereas stock market capitalisation in China and India amounted to 35 per cent and 69 percent of GDP, respectively. Compared with China, India has more ICICI like banks doing a better job of allocating credit.

Why do China and India have such fundamentally different financial systems? My colleague Yasheng Huang and I have posited one reason for China's decision to court foreign direct investment (FDI). The Cultural Revolution in particular, and the communist experiment in general, decimated whatever infrastructure existed in the country to support market exchange. FDI offered a relatively quick fix, especially when sold first to overseas Chinese communities and when initially contained in experimental locations like Guangdong Province. FDI in China in 2005 was $55 billion, amounting to about 5.5 per cent of domestic gross fixed investment in that year and representing a disproportionate share of FDI in developing countries worldwide.

In contrast, post independence India did not have its economic infrastructure decimated. Although Indians continue to debate the overall impact of British rule, the imperial power did establish infrastructure and nurtured Indian entrepreneurs whenever doing so did not challenge colonial rule. Given this history, India could more easily rely on portfolio flows and flows of venture capital from overseas than on FDI. Whereas only $5 billion in FDI entered India in 2004, portfolio capital flows in the same year were much higher at $9 billion. China, in contrast, does not allow its equity markets to allocate domestic savings to domestic uses. The government ensures that most funds entering the stock market are used to sustain rapidly fading state owned enterprises.

One lesson that China should learn from India is better management of equity markets. But that lesson takes time to learn. Reforming the Chinese system requires political will, not yet in evidence, and experience with market-based allocations of capital.

Reproduced with permission from Penguin/Viking



ABP

INFOCOM 07 08
Conference & Exhibition
Businessworld initiative
Hyderabad ▪ Calcutta
CeBIT

LET THOUSANDS OF VISITORS GET A REAL TIME EXPERIENCE OF YOUR PRODUCTS AND SERVICES. DISPLAY THEM @ THE INFOCOM 07-08 EXHIBITION BETWEEN FEBRUARY 21-24, 2008.

INFOCOM 07-08, India's largest Information and Communication Technology (ICT) Expo is back again in Calcutta. Participate in the Exhibition at the Salt Lake Stadium grounds and make the most of this opportunity by showcasing your ideas, products and business solutions. If you have anything to do with IT you just can't afford to miss INFOCOM 07-08.

Exhibition Highlights: Over 150,000 sq. ft. of exhibition space • Over 200 exhibitors in fully air-conditioned ambience
Stall sizes: 2m X 3m, 3m X 3m, 6m X 5m, 6 m X 6m and multiples • Over 100,000 expected footfalls

To book your stall space, wire up with:

Calcutta - Rudrashiish Nag (9831310118) • Bangalore - Raja Mitra (9886019111)
Chennai - Rajiv Reddy (9841033442) • Delhi - Anita Mazumdar (9810331309)
Hyderabad - Chandrashekhar Avvaru (9963137307)
Mumbai - Bhaswati Ghosh (9819022145)
Email: info@indiainfocom.com • Website: www.indiainfocom.com

Gold sponsor:
TATA
TATA CONSULTANCY SERVICES
Experience certainty.

In association with:
ADVANTAGE BENGAL
DESTINATION KOLKATA

International Media Partner: CNN

Radio Partners: 91.9fm friends, RED FM 93.5 Bajute Raho

Official Banker: United Bank of India

Associate Sponsors: President, Avocent, EMAAR MGF, CREATING A NEW INDIA., Webel opportunities infinITe

FUJITSU, Camellia Group, HDIL Creating Value, TATA COMMUNICATIONS, AXSYS TECHNOLOGIES, Sun microsystems, cisco

FUTURESOFT, symantec. Confidence in a connected world., INFOGEN global, PAILAN GROUP, Cognizant, WDC, HITACHI Inspire the Next

SIEMENS Siemens Information Systems Ltd., SAP, Texas Instruments, UGFA, Computer Bichitra Bangladesh, NDIA, Team Educational Society under the aegis of Department of Sports and Youth Service, Seagram's BLENDERS PRIDE MAGICAL NIGHTS

ABP

INFOCOM 07 08
Conference & Exhibition
Businessworld Initiative CeBIT
Hyderabad • Calcutta

Where will you be?

Global experts are meeting to push the frontiers of ICT @ Calcutta between February 21-23, 2008

The best minds in IT from across the world will be sharing the latest advancements in the field of ICT from February 21-23 at INFOCOM 07-08, India's largest ICT exposition. It is the perfect opportunity for you to hear industry leaders and stalwarts share their thoughts and experiences on ICT. If you have anything to do with IT you just can't afford to miss INFOCOM 07-08, Calcutta.

Get ready to hard talk with...

- **Amajit Gupta,** Director – Telecom, Microsoft India
- **Aniruddha Ganguly,** Associate Chief Operating Officer, Wipro BPO
- **Arindam Guha,** Partner, Deloitte & Touche Consulting India
- **Ashish Banerjee,** Chief Software Technologist, Sun Microsystems India
- **Atul Sareen,** Vice President, SAP India
- **Dr. Debesh Das,** Minister-in-charge, Dept. of IT, Govt. of West Bengal
- **Dr. Godfrey Gaston,** Operations Director, The Institute of Electronics, Communications and Information Technology (ECIT)
- **Dr. Sabahat S. Azim,** IAS, CEO, SREI Sahaj E-Village
- **Dr. Subrata K. De,** Executive Head – Global Technology, Vodafone Group
- **Kaustubh Dhavse,** Program Manager – Information, Communication & Technology Practice, Frost & Sullivan, South Asia and Middle East
- **Lakshmana Perumal M,** Principal Consultant, Supply Chain Technologies, Ramco Systems
- **Manish Sinha,** Sr. Vice President, WNS Global Services
- **Manpreet Singh,** Vice President - Technology, Vertex India
- **Mikito Kiname,** CEO, Fujitsu India
- **Pallab Talukdar,** Director – Enterprise Business, Dell India
- **Pradip Bhowmick,** Associate Director, PwC
- **R K Amar Babu,** MD, Lenovo India
- **R. Srinivasan,** Head – Pre Sales, Global Government Industry Group, TCS
- **Ramamurthy Sivakumar,** Country Manager, Intel Technology India
- **Ravi Venkateshwar,** COO (Finance and Supply Chain), Godrej Sara Lee
- **Roopen Roy,** MD, Deloitte and Touche India Pvt. Ltd
- **S B Ganguly,** Chairman Emeritus, Exide Industries
- **Sandilya Gopalan,** Chief Consultant, Manufacturing and Retail Practice, Cognizant
- **Siddharth,** IAS, Secretary IT, Govt. of West Bengal
- **Stephen W. Briam,** Vice President – Government Programs, IBM Asia Pacific
- **Subash Menon,** Founder Chairman, MD & CEO, Subex Systems
- **Sukant Srivastava,** MD and Country Manager, Convergys Corporation
- **Sumit Mazumdar,** MD & CEO, Tractors India Ltd
- **Suprabhat Chatterjee,** Vice President – India & SAARC, Cisco India and many more...

Inauguration by Shri. Lalu Prasad, Hon'ble Minister of Railways, Govt. of India

Venue: Hyatt Regency, Calcutta
Dates: February 21-23, 2008

To participate as a Delegate wire up with:
Ankur Singha (9836109579); Subhajit Bhattacharya (9831335088); Amit Ghosh Dastidar (9831542298)

For more details log on to www.indiainfocom.com

Gold sponsor:
TATA
TATA CONSULTANCY SERVICES
Experience certainty.

In association with:
ADVANTAGE BENGAL
DESTINATION KOLKATA

International Media Partner: CNN
Radio Partners: 91.9fm friends, RED FM 93.5
Official Banker: United Bank of India
Associate Sponsors: PREMDEE, Avaya, MGF, CREATING A NEW INDIA, Wehel opportunities infinite
FUJITSU, CAMELLIA GROUP, HDIL, TATA COMMUNICATIONS, AXSYS, Sun microsystems, CISCO
FUTURESOFT, symantec. Confidence in a connected world., INFOGEN global, PAILAN GROUP, Cognizant, WDC, HITACHI Inspire the Next
SIEMENS Siemens Information Systems Ltd., SAP, TEXAS INSTRUMENTS, UGFA, Computer Bichitra Bangladesh, INDIA, Team Educational Society, Seagram's BLENDERS PRIDE

Decouple Professionals

PEOPLE IN THE PRIVATE AND THE PUBLIC SECTORS have diametrically different views of one another. Those in the government think that they are the true servants of the people; they are also convinced that they get poor rewards for such patriotic work. They think that all that those in the private sector do is make money by hook or by crook, and to siphon off as much of it as they can. If the government were not there to take away some of their ill-gotten and largely undeserved gains and use them to help the poor and guard the nation, those private sector fellows would destroy the country.

SANJAY SAKARIA

The case for giving government servants salaries comparable to the private sector applies only to competent scientists and technologists

Those fellows, on the other hand, do visit their public sector cousins when they have to. When they do, they find these self-righteous characters sitting with their feet on dirty tables, teacups in hand. Although they belong to various services, the word service is foreign to them. Their main activity is to gossip amongst themselves about grooms for their daughters, dowry for their sons and the next leave-travel-concession destination. When they run out of chatter, they may look at a visitor and ask him what he wants. They spend the rest of the time thinking about how to frustrate supplicants and deny them what they have come for.

Whatever the merits of the two views, the government has power on its side. Every once in a while, it appoints a Pay Commission to award its employees a handsome pay rise so that they can catch up with the private sector. One has been sitting for two years, and would be getting ready to announce its award.

If it has read the last Pay Commission's report, it must know that public sector salaries have already caught up with those in the private sector, and are in fact higher than private-sector salaries for low-paid categories. If matching the private sector were the criterion, the salaries of these categories would deserve to be reduced. If that is considered unrealistic, the best that they deserve is maintenance of their real pay — that is, pay rise in proportion to the rise in the cost of living. It is hardly likely that a government commission appointed to recommend spending of government money will be that frugal; but whatever it rewards beyond this is a bonanza.

However, public sector trade unions are so powerful that it is unrealistic to expect the Pay Commission to be rational about pay increases for the lower categories. It is the higher categories that still earn less than those in the private sector. Of course, it matters to whom they are being compared. If they are compared to the top managers of the biggest companies, they do come off worse. But there are many smaller companies that do not pay their managers nearly so well. And government servants certainly do not face the risks of unemployment that private sector workers do.

Still, a case will be made by various service associations on behalf of their members, and the Pay Commission will listen to them. The only policy issue that can still be made at this late stage is that the Pay Commission should make a distinction between the government offices that face competition in recruitment from the private sector and those that do not. There are, on the one hand, the services, such as the Indian Administrative Service, which face no difficulty in attracting enough applicants, and which recruit on the basis of reservation and such antiquated criteria. They hardly deserve better pay. Then there are government institutions that need professionals recruited on merit; their pay does need to match the private sector.

A case in point is the Patent Office. Between 1 January 2005 and 30 November 2007, it received 80,574 applications, and issued 400 patents. It is clearly failing to do its job; if it continues to perform so poorly, it would make little difference if it was abolished. It has done so badly because it is working with 10 per cent of its authorised staff strength. It needs technically proficient professionals; it finds it difficult to recruit people of acceptable quality, and those that join it soon depart for greener pastures. Its pay obviously needs to be comparable with the private sector.

This is true of the research laboratories as well. Government laboratories, especially the central ones, have the scale to do research of international standards. Many possess expensive experimentation facilities that the private sector cannot afford. This magnificent infrastructure has been going waste in recent years because scientists have been lured away by the private sector. Great science and technology cannot be created with mediocre government salaries; comparability of pay is crucial here.

Businessworld

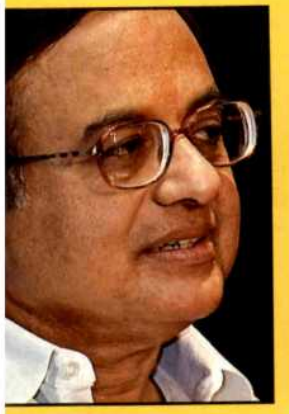
.businessworld.in 3 MARCH 2008 SUBSCRIBER COPY NOT FOR RESALE

INDIA'S BEST MUTUAL FUNDS

In the year of their fastest growth

UDGET 2008

CAN E DO IT?



arkets wonder nether the M can counter olitical ressures PAGE 103

+

makes roads into harma PAGE 24

INDIA'S No. 1 BUSINESS MAGAZINE MOST READ MOST SOLD

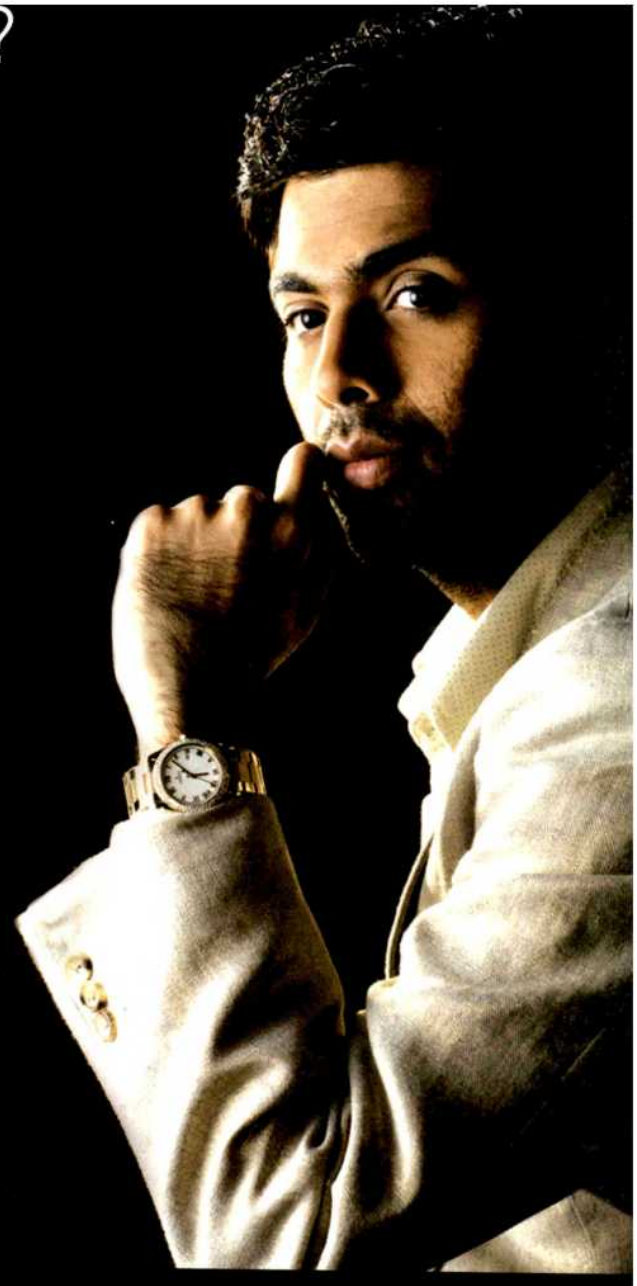
What's in a name?

Well pretty much everything.

Karan Johar

Film-maker, entrepreneur

Every success story begins with a name and therefore anything that tags along has to be priceless. Seen here, Karan Johar in the company of Timond.



DIAMOND & GOLD series

HIGHER. | TIMOND

Precious Precision

18k Solid Gold Classic Tycoon

Ahmedabad: The Golden Time (079) 2644 2802 **Bangalore:** C.Krishniah Chetty & Sons (Commercial Street) (080) 2558 8731 Rodeo Drive (Richmond Road) (080) 22271977 **Baroda:** C.H.Jewellers (Alkapuri) (0265) 398 3500 **Chennai:** GRT, New Showroom (Coats Road,N.Usman Road) (044) 2346 1515, Nathella Sampathu Jewellers (Anna Nagar) (044) 2626 7600 Nathella Sampathu Jewellers (T.Nagar) (044) 2436 0050, Vummidi Bangaru Jewellers (Anna Salai) (044) 2829 2004 N.A.C & Sons (044) 4399 6666 **Delhi:** Bhola Sons Jewellers (Karol Baugh) (011) 2875 8383 Khanna Jewellers (Karol Baugh) (011) 2875 0293 **Hyderabad:** Meena Jewellers (Basheer Bagh) (040) 2341 1166,TBZ The Original (040) 2340 0231 **Kanpur:** Kays Jewels (Birhana Road) (0512) 236 2599 L.Kashinath Seth Jewellers (P) Ltd. (Swaroop Nagar) (0512) 255 2625 **Kochi:** Alukas Jewellers Wedding Center (High Court Rd.) (0484) 235 0512 **Kolkata:** Ram's Watches (Metro Shopping Center) (033) 2288 8882 **Lucknow:** B.K. Saraf Jewellers (Gole Market) (0522) 325 4849 Jugal Kishor Jewellers (Huzrat Ganj) (0522) 2224 077 **Ludhiana:** Ganpati Jewellers (Mall Road) (0161) 244 4140 Santram Mangatram Jewellers (Ghumar Mandi) (0161) 277 1091 **Mumbai:** Arena Jewellers (Breach Candy) 2368 1122 Arena Jewellers (Ghatkopar) 2512 0202 Maru Time (Thane) 64526435 Pallazzio (Prabhadevi) 2421 3060 TBZ The Original (Borivali) 4056 5001 TBZ The Original (Ghatkopar) 2512 5007 TBZ The Original (Santacruz) 2605 5001 TBZ The Original (Zaveri Bazar) 2342 5001 Titan Time (Vashi) 64526441 World Time (Andheri) 64526427 World Time (Santacruz) 64526426 Nagpur: Dass Jewellers (Shankar Nagar) (0712) 224 8444 **Surat:** D.Khushalbhai Jewellers (Parle Point) (0261) 221 4958

*** For further details please call (022) 2341 0555 or mail at info@timond.com**

www.timond.com

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era landmarks

Live the difference

ERA LANDMARKS (INDIA) LIMITED

Carnation Greens
SEC-8, PALWAL

era mall Agra

Oakwood Court
PALWAL

- From shopping at the best in class to celebrating life 360 degrees.
- From being enveloped in eco-friendly paradises to living tranquil moments in lush greens.
- From revitalising at modern club houses to reviving in verdant parks architected with towering trees.
- From breathing in the freshness of blossoming flowers to retreating into homes radiating with streaming sunbeams.

Era Landmarks unfurls newer and newer ways to help you Live the Difference every day.

Residential / Commercial / IT & ITES / Retail

era infra	era buildsys	era landmarks	era ezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.	ERA BUILDING SYSTEMS LTD.	ERA LANDMARKS (INDIA) LTD.	ERA E-ZONE (INDIA) LTD.	ERA POWER (INDIA) PVT. LTD.

(#Combined presence of all group companies as on 30th November, 2007)

Corporate office: 153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

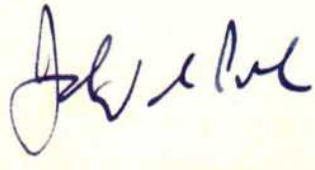
Tough Times Ahead

by jehangir s. pocha, editor

SO YOU'RE A RETAIL INVESTOR AND you and your tribe are flocking to mutual funds in unprecedented numbers. Beware. This is a sure sign that the stockmarket is headed for a correction.

Whenever an investment avenue becomes the domain of the masses, educated investors exit. The trick to investing is seeing an opportunity before others see it, rush in and inflate its price. Ideally, the trick of the early pick should be based on an individual's investment expertise and/or instinct. Unfortunately, in India, it is often based on an asymmetrical access to information, which is polite language for insider trading and market manipulation. So, the average salary man eagerly buying stocks and funds hoping to imitate the returns his friends tell him others are making (let's face it, this is how most people invest) is going to be disappointed. For this person, stocks are a tricky option, as the Reliance Power IPO underlines. Mutual funds would be the cheapest way to diversify risk and access professional (or connected) money managers. But there are funds and funds, and many are worse than the worst 'tips' being handed out in commuter trains. *BW*'s list of best mutual funds is an invaluable tool for investors at a time when the markets are in a capricious mood.

The man who can allay our economic fears is unlikely to take the hard decisions needed to traverse these times. Finance Minister P. Chidambaram's last Budget was so lacklustre that we said he had been 'Sunk by Politics'. This year, with elections looming, the FM is likely to be killed by politics. In our unimaginative political setup, the one idea that has taken root is that the previous NDA government lost to the current UPA alliance because its economic reforms had no resonance with most voters, whose India was not 'shining'. So, political populism, rather than economic pragmatism, will determine the coming Budget. The result: the tough times are going to get tougher. Choose your mutual funds carefully.



Businessworld

Volume 27 Issue 41.
For the week 26 February-3 March 2008,
Released on 25 February 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502

Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294

Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :

One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81

The following information is published in compliance with Rule 8 of the Registration of Newspapers (Central) Rules, 1956.
1. Place of publication: Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
2. Periodicity: Weekly
3. Printer and publisher: Shyamal Mukherjee, Indian, Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
4. Editor: Jehangir S. Pocha, Indian, 2nd Floor, Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
5. Name & addresses of individuals who own the newspaper & partners or shareholders holding more than 1% of the total capital: (i) Owners: ABP (P) Ltd, 6, Prafulla Sarkar Street, Calcutta-700001 (ii) Shareholders holding more than 1% of the total capital: A. Sarkar, A. Sarkar, S. Sarkar, A. Sarkar, Sarkar Properties Pvt. Ltd, and Sarkar Consultants Pvt. Ltd, 6, Prafulla Sarkar Street, Calcutta-700001
I, Shyamal Mukherjee, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Shyamal Mukherjee
Publisher

1st March 2008

Everyone loves a great deal.

Even while investing in the stock market.

Birla Sun Life Pure Value Fund

(A 3-year Closed-End Equity Scheme with an Automatic Conversion into an Open-Ended Scheme upon Maturity)

Investing in stocks with great value has been a well established principle. Backed by a 13 year track record, we intend to hunt down great bargains from across the stock market to add value to your portfolio.

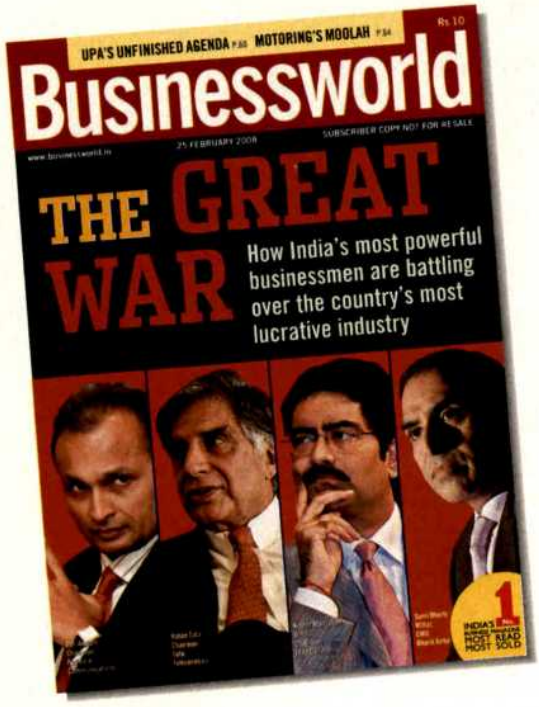
Birla Sun Life
Mutual Fund
The name inspires trust

NFO closes 1st March'08

SMS GAIN to 56767

Statutory Details: Constitution: Birla Sun Life Mutual Fund has been set up as a Trust under the Indian Trust Act, 1882. **Sponsors:** Aditya Birla Nuvo Limited & Sun Life (India) AMC Investments Inc [liability restricted to seed corpus of Rs. 1 Lac]. **Trustee:** Birla Sun Life Trustee Company Pvt. Ltd. **Investment Manager:** Birla Sun Life Asset Management Company Ltd. **Objective:** To generate consistent long-term capital appreciation by investing predominantly in equity and equity related securities by following value investing strategy. **Asset Allocation Pattern:** Equity and Equity linked Instruments: 85%-100% and Fixed Income Securities (Including money market instruments): 0%-15%. **Terms of issue:** Rs. 10 per unit during the NFO period. **Liquidity:** The scheme will offer for redemption/switch-out of units at Monthly Intervals only during the specified redemption period i.e. first five business days of each month after the date of allotment at NAV based prices. The NAVs of the scheme will be announced on a weekly basis and on all business days during the specified redemption period. **Entry Load:** N.A.. **Exit Load:** Nil (all redemptions/switch-outs made during the specified redemption period until the scheme remains closed-end will be charged balance proportionate unamortized issue expenses on the applicable NAV.) **Risk Factors:** Mutual Funds & securities investments are subject to market risks & there can be no assurance or guarantee that the objectives of the Scheme will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme may go up or down depending on the various factors & forces affecting capital markets & money markets. Past performance of the Sponsors / Investment Manager / Mutual Fund does not indicate the future performance of the Scheme & may not necessarily provide a basis of comparison with other investments. Birla Sun Life Pure Value Fund is only the name of the Scheme & does not, in any manner, indicate either the quality of the Scheme or its future prospects or returns. Scheme Specific Risk Factors: The Scheme should have a minimum of 20 investors & no single investor should account for more than 25% of its corpus at the time of allotment as per SEBI guidelines. The Scheme is subject to market risks, investment style risk, risks due to changes in political and economic environment. **For further Scheme Specific Risk Factors & other details please read the Offer Document carefully before investing.** • **Toll Free: 1 800 22 7000** • **www.birlasunlife.com**

Feedback your comments



Needed: A Collective Effort

Your cover story on the country's most lucrative Telecom Industry ('The Great War', *BW*, 25 February) was fascinating to read as well as incisive. The telecom sector, unquestionably, offers great promise. A systematically-planned telecom penetration in rural belts can work absolute wonders for the country. Be it Anil Ambani, Ratan Tata, Kumar Mangalam Birla, Sunil Bharti or even the state-owned BSNL, all of them understand well their strengths, weaknesses, opportunities and threats to venture out with persisting limitations. Also, if all of them join hands for a unified strategy, there won't be threats but only opportunities. Here is where India could never match China and missed the bus several times, progressively widening the gap in their growth trajectories.

Srinivasan Umashankar, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

Nowhere To Live

I read your special report on real estate ('Ready To Collapse?', *BW*, 18 February) with great interest.

Today, in Mumbai, a 2BHK apartment in Powai does not come for less than Rs 1 crore and, in a place such as Mira Road, it has started costing more than Rs 50 lakh. But who is buying? The salaried class just cannot afford such prices, and high interest rates make it impossible to own a decent house in Mumbai. I know of many who have just dropped the idea of buying a house. I was talking to a broker in Mumbai and he mentioned that demand has vanished. How long will the builders hold on to artificially pumped up rates? Is there a cartel? At what point will there be a correction? Certainly, the sentiment is turning. I hope someone in the RBI is reading your article and takes note.

Sanjay Mudnaney, via e-mail

Power Cut

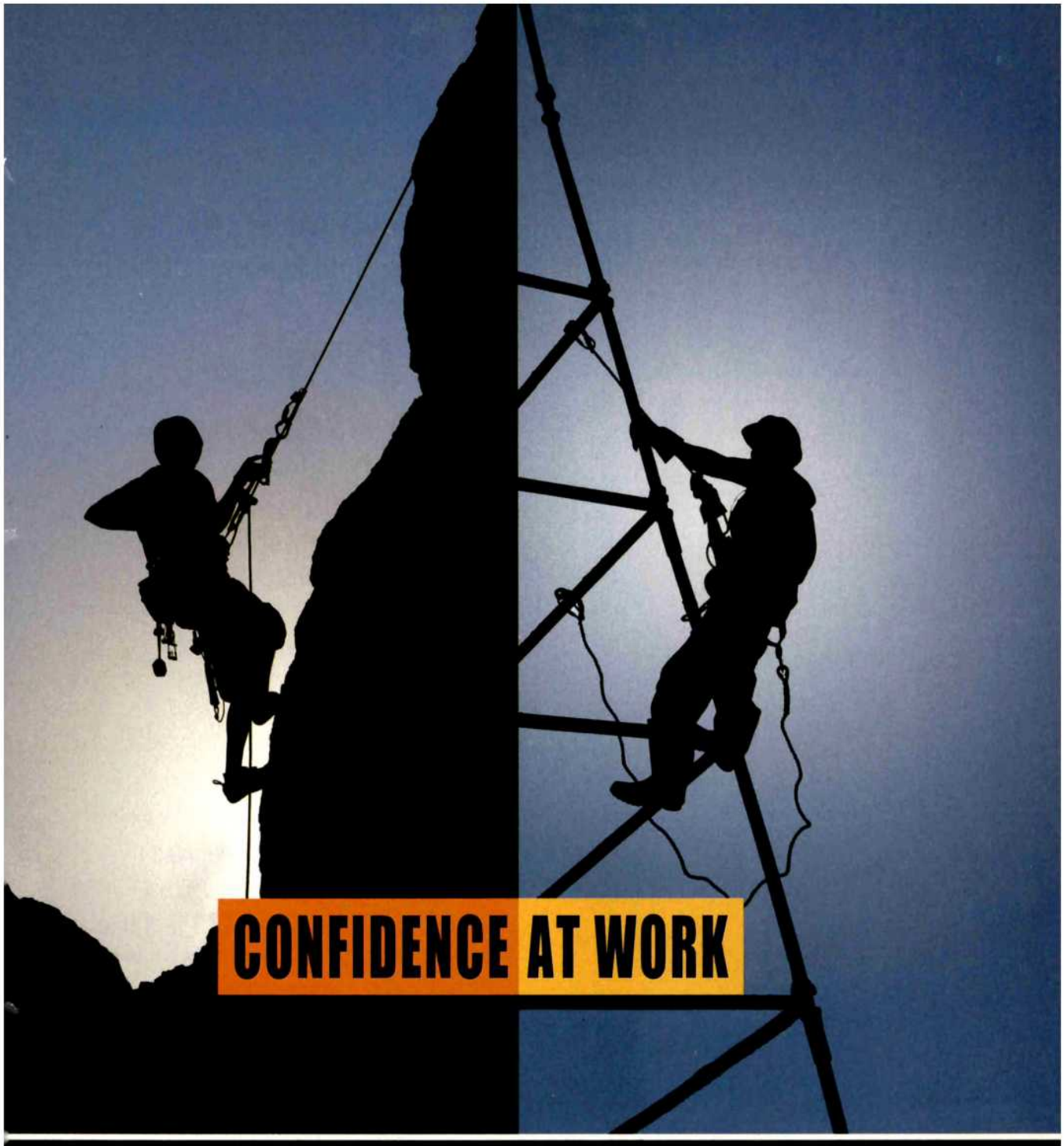
As famous investor Warren Buffet had said, "It's only when the tide goes out, you discover who has been swimming naked." Many of us were caught in such an alarming state of undress as Reliance Power, claimed to be India's biggest IPO ('Grey Market Blues', *BW*, 25 February), fell as much as 17 per cent on its debut because of being overpriced. Investors have become used to making easy money in IPOs over the past couple of years. However, the Reliance Power debacle, a setback to the fortunes of India's record pipeline of IPOs this year, is a lesson that the government as well as Sebi needs to learn from. The company, which does not have any operating assets, was surprisingly allowed by Sebi to raise money for its future benefit. The result of all this is going to be a sad one because the typical retail investor had just started returning to the stockmarket and his confidence has been badly shattered. Anil Ambani is perhaps afraid to risk his own money and has thus passed on the risk of ultra mega power projects to the Indian investors.

Tsewang Dorjey, via e-mail

Corrigendum

PCS Technology was incorrectly referred to as Patni Computers in 'Top 10 Listings' of the most toxic electronic firms (*BW*, 18 February). The error is regretted.

The letters have been edited for brevity.



t B L Kashyap, we thrive on challenges in onstruction engineering.

e reflect the spirit of those who brave the toughest odds in order to low their passion. This very spirit helps us give shape to your most nbitious projects. Making us one of India's highly respected nstruction companies. After all, when your dreams reach for the y, you need a partner to be your wings.

ww.blkashyap.com

B L KASHYAP

WE BUILD YOUR WORLD

Businessworld 03.03.08

INDIA'S BEST MUTUAL FUNDS

BLOOMBERG

SANJAY SAKARIA

COVER STORY

31 Facts on Funds

The good, the bad and the ugly of Indian mutual funds.

34 Methodology
How we ranked them.

36 Tables
The best, the worst and many others.

52 High-Cost Funds
What's eating into your money?

54 Sector Funds
They do not reduce risk or beat index.

56 About NFOs
Few of them outpeform the matket.

58 Column: K. Vijayan
Quota helps make an issue look good.

60 The Game Of The Name
Names can be attractive, but misleading.

62 Index Funds
Investors have favoured them.

64 The Phoenix?
UTI is trying to rise from the ashes.

66 Column: Nilesh Shah
All NFOs not suitable for all investors.

68 Slow And Steady
Cost averaging may work for MFs too.

69 The Options
Gold and real estate are useful hedges.

ON POINT

10 Democracy In Pakistan
Musharraf, religious fringe get a beating.

11 **Farming Out**
Farm loan waivers shifted to taxpayers.

12 **Flame Flickers**
TVS Motors works on a back-up engine.

16 **FIANCHETTO**
Weekly strategic corporate moves.

18 **QUICK TAKE**
Is private investment in defence okay?

IN THE NEWS

22 **Reliance Power IPO**
A bonus proposal to secure future listings.

24 **IT's Here**
IT firms storm into the pharma sector.

26 **Bhave In**
How the Sebi chief was selected.

28 **Goodbye, Appu**
The closure of Appu Ghar ends an era.

IN DEPTH

72 **After The Ban**
Cooling off after curbs on P-notes.

78 **Roundtable**
Will a recession in US slowdown BPO?

84 **Excise Leakage**
Duty collections are lagging.

106 **For Your Eyes Only**
Specs were never sexier.

BUDGET 2008 SPECIAL

110 **The State Of The Economy**
Time for a reflationary budget.

112 **Subsidy Regime**
Leaks in the system need to be plugged.

114 **Direct Taxes**
Tax rates have become more rational.

116 **MAT**
This tax has served its purpose.

117 **Individual Tax**
Tax disparities need to be removed.

118 **Defence Expenditure**
It is is likely to cross Rs 1 lakh crore.

120 **Report Card**
Has government met its tax objectives?

122 **Make It Less Taxing**
Reform needs efficient administration.

126 **Veena Mishra**
Focus on faster and inclusive growth.

128 **FM's Constituency**
Sivaganga is the most backward in TN.

IN VOGUE

133 **Seaside Luxury**
A big mela to see and buy yachts.

133 **Digital Bliss**
Eye-popping gadgets at Las Vegas show.

142 **Bookmark**
Disinvestment: lose and you gain.

COLUMNS

20 **Omkar Goswami**
70 **William Pesek**
76 **Bill Emmott**
82 **Gurbir Singh**
86 **Srikanth Srinivas**
108 **Andy Mukherjee**

BW & YOU

06 **FEEDBACK**
146 **BW OPINION**

Cover Design by Jyoti Thapa Mani

BWonline
businessworld.in
WEB EXCLUSIVES
TechnoCool
The Eee PC offers basic office productivity and Web access, says Tushar Kanwar.
TechnoCool
Kajal Basu on auctioneer Bid & Hammer's efforts to mine the Bengal art market.

Total No. of pages including cover: 148

OnPoint

PAKISTAN

A New Beginning

Hardcore religious parties have received a resounding thumbs down

GOOD NEWS: A democratically-strong and stable neighbour is in India's best interest

TWO CLEAR SIGNALS have emerged from the recently-held elections in Pakistan. The Pakistani people want an end to Musharraf's military regime and they want to get rid of militancy.

In an election that was viewed by many as a referendum on nearly a decade's military rule, the people of Pakistan overwhelmingly voted in favour of the two main opposition parties — late Benazir Bhutto's Pakistan's People Party (PPP) and Nawaz Sharif's Pakistani Muslim League-N (PML-N).

Along with the Pakistan Muslim League Quaid-e-Azam (PML-Q) — Musharraf's main ally and the ruling party for the last few years — various Islamic parties in Pakistan's North West Frontier Province (NWFP) were dealt a crushing defeat by the Awami National Party, representing secular Pashtuns. The NWFP has acted as a sanctuary for the Taliban and Al Qaeda in the past.

PML-N secured 66 of the 268 contested seats, the PPP got 87 and the PML-Q trailed behind with 38. In the absence of a clear majority, a coalition between PPP leader Asif Ali Zardari and Sharif seems likely. As *BW* went to press, Zardari and Sharif were scheduled to meet to hammer out the possibility of a coalition.

Such a coalition could put in place proceedings to impeach Musharraf, who took power in a coup in 1999.

Whether the former general — who had said before the polls that he would accept whatever be the verdict of the people — will willingly step down is anybody's guess.

India should respond positively to its troubled neighbour's return to a democratic civilian rule.

Sumati Nagrath

7 million new subscribers were added last month by China Mobile, the world's biggest mobile operator

QUOTE OF THE WEEK **"We deserve independence even before Kosovo... we ask for the backing of the US and the EU."**

— YASSER ABED RABBO, PALESTINE'S CHIEF NEGOTIATOR WITH ISRAEL

FARM LOAN WAIVERS

Trial Balloons

Through its forgiveness package, the government is passing the burden to the tax payers

"WHEN IN CHARGE, ponder; when in doubt, mumble; when in trouble, delegate." With apologies to American humourist James H. Boren for slightly mangling his lines, this seems to be the refrain behind the government's move to waive Rs 32,000 crore of farm loans.

Or so it seems, from the trial balloon that the finance ministry floated in the media on this topic. Ostensibly, the motivation of the government in this forgiveness package seems to be the elections that loom on the horizon.

In 2004-05, the finance minister pondered on the need to increase agricultural loans and asked banks to double the agricultural credit to farmers in three years. In the past two years, the amount went up by 80 per cent. But doubts began to creep in about the advisability of the measure when farmers' indebtedness rose because of rising input costs and low returns.

There were some mumblings about rescheduling the loans after capitalising the interest, but with a two-year moratorium after that, there could be some relief.

The full extent of farmers' problems became evident after there were thousands of suicides. The government hopes to delegate the problem into the budget proposals and to taxpayers like us.

Srikanth Srinivas

SANJAY SAKARIA

LOADED: Farmers' indebtedness has increased due to rising input costs and low returns

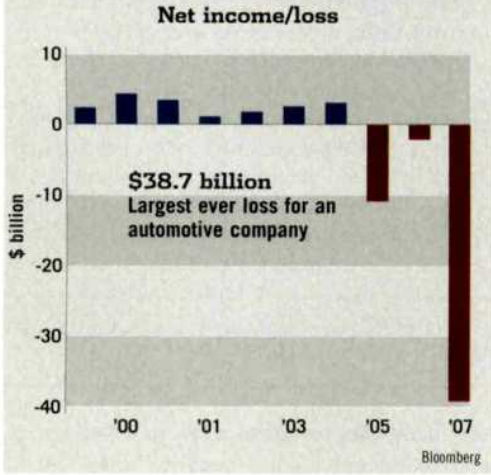
GLOBAL NEWS

AP

Castro still rules: Even after the resignation of Cuban President Fidel Castro, after nearly half a century in power, it's still not curtains down for the Castro regime. The 81-year-old Castro's resignation effectively paves the way for his younger brother Raul Castro's permanent succession to the presidency.

GM'S RECORD LOSS

GM announced a record $38.7 billion loss in 2007 and said the company would be offering buyouts to 74,000 employees.



BALU NAYAR'S RESIGNATION

BEHIND THE EXIT STRATEGY

WHILE THE BIDDING FOR THE INDIAN Premier League was just about to start, Balu Nayar, managing director of IMG India, the company which structured these auctions, put in his papers.

Balu Nayar, an ex IITian, joined IMG in October 2006 from Yahoo! He used to head Yahoo's business in Singapore when he decided to move back to India to kick start IMG operations in India.

When contacted, Nayar said he did not want to comment on the issue. But according to sources, Nayar is leaving IMG to start a private equity fund, which is likely to explore investment opportunities in media and entertainment.

Nayar has also worked in the telecom sector, and used to head the value added services business of Hutch Telecom.

IMG is the world's largest sports, entertainment and media agency. In India, IMG has been active in creating and managing sports, cultural and fashion events.

K. Yatish Rajawat

CALL OF FREEDOM

People of Kosovo celebrating the declaration of independence by the disputed Serbian province in Pristina, its 'capital'. Kosovo's Parliament declared the province a nation on 17 February 2008, backed by the US and key European allies, but bitterly contested by Serbia and Russia.

AUTOMOBILE

Waiting For The Spark

TVS Motors is now working on a back-up engine for its 125-cc model

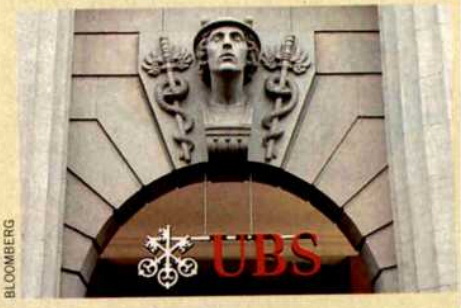
IT'S ALL ABOUT SPARK plugs, and therein lies the heart of the battle for the control of the 125cc bike segment. After the Madras High Court restrained TVS Motors from launching its four-stroke 125cc model Flame, on a suit filed by Bajaj alleging infringement of its digital twin spark ignition technology patent, the Chennai-based company is now working on getting a back-up engine.

"Various options are being worked out; but the details can't be divulged now," says H.S. Goindi, senior vice-president, international business, TVS. "We've a battery of over 400 engineers and have engines at any point of time."

The 125cc segment is a fast-growing one, accounting for about a quarter of more than 6.5 million bikes sold in 2006-07. The coming months will see increased activity in this segment.

M. Allirajan

BANKING



BLOOMBERG

A foothold in India

UBS, SWITZERLAND'S LARGEST FINANCIAL institution, has received the licence from RBI to launch retail operations in India. UBS will now be able to offer regular banking services such as accepting deposits and offering loans in India. The RBI approval had been delayed over the Swiss bank's alleged reluctance to cooperate in a probe over its role in facilitating transfers between an Indian businessman and a Saudi arms dealer. UBS already has brokerage and investment units in India.

Reality Check

Health England, the UK government's health advisory body, has proposed a law to introduce "smoker's permits" without which nobody will be able to buy any tobacco product in the UK.

INFORMATION TECHNOLOGY

MICROSOFT'S PROXY WAR

MICROSOFT ISN'T GIVING up on Yahoo just yet. Having seen its offer turned down by the Yahoo board, Microsoft has hired a law firm that specialises in proxy corporate wars, a move that is seen as a strategy to remove the current board of directors.

BLOOMBERG

Yahoo has adopted severance plans for employees as much as two years' salary. Full-time employees will get at least four months of severance pay and executive officers will get 24 months. Employees will be eligible for the payments if they depart within two years of a purchase.

Analysts believe the proxy battle may cost Microsoft barely $20-30 million while offering every $1 more per share would cost it $1.4 billion more. While Microsoft had offered $31 per share for Yahoo, Bill Miller, one of Yahoo's biggest shareholders, said the a fair price would be around $40 a share.

BW Bureau

TOP 10 LISTINGS

IPL'S MOST EXPENSIVE CRICKETERS

1	M.S. Dhoni	1.500
2	A. Symonds	1.350
3	S. Tendulkar	1.121
4	R. Dravid	1.035*
5	Y. Singh	1.035*
6	S. Jayasuriya	0.975
7	S. Ganguly	0.920*
8	B. Lee	0.900
9	J. Kallis	0.900
10	H. Singh	0.850

Figures are players' salaries in $million / annum. *Icon players guaranteed 15% premium on the highest bid for any other player in a team

SBI's bid for a consensus on interest rates amounts to cartelisation

BANKING

Building A Consensus

IT IS BACK TO THE future. State Bank of India (SBI) Chairman O.P. Bhatt's move to forge a consensus on interest rates with the heads of four other state-run banks is nothing but an attempt at cartelisation. This runs against the spirit of a free market, where bankers can fix rates, based on their assets and liabilities.

It's a throwback to the mid-1990s when state-run banks met within the portals of the Indian Banks' Association to reach an agreement on interest rates.

At that point in time, it was even considered okay to do so as interest rates had just been deregulated, and it was argued that state-run banks needed time to get used to the new environment.

BLOOMBERG

WHICH WAY? Declining market share may have forced SBI to try for a consensus on rates

Perhaps, Bhatt's move was to be expected. In his address to shareholders last May, Bhatt had observed: "Competition amongst banks intensified as, for example, witnessed in the sharply rising deposit rates."

The other important factor is that SBI is also losing market share, a fear that Bhatt expressed at the time of taking charge.

However, the bigger point is that it speaks poorly about the head of the country's largest commercial bank at a time when a few Indian banks are talking about going global.

Last year, a leading television channel had even declared Bhatt as the Businessman of the Year!

Raghu Mohan

PHARMACEUTICAL

Volte-Face

Why the powerful US biotech lobby has softened its stand on biosimilars

BLOOMBERG

NOW OR NEVER: BIO is pushing for a favourable law under the current regime

THE BIOTECHNOLOGY Industry Organization (BIO), a powerful Washington D.C. lobby of biotech companies, including Amgen and Genentech, has reportedly said that it will push for a legislation that allows the US drugs regulator to approve copies of their blockbuster drugs once they lose patent protection.

That does not currently happen even though copies of chemical drugs — known as generics — are routinely launched after a patent on the drug expires. For nearly a decade, BIO has stonewalled similar approvals for biotech drug copycats claiming that they need more elaborate tests than generics.

In the meantime, generics companies, including Indian pharma firms, that bet on this market opening up much earlier, have seen their plans go haywire.

Imminent regime change in Washington may have forced BIO to soften its stance. International reports suggest that all three US Presidential candidates think generics are effective in keeping spiralling healthcare costs under control and BIO might want to push a law that suits them under the current President. So far BIO has raised objections to provisions in bills that were written to create a separate pathway to approve biosimilars.

Companies like General Motors have cited employee healthcare costs as one reason for going into the red. The generics industry sees a huge market and is also a vocal supporter of biosimilars. About $10 billion worth of drugs are expected to lose patent protection by 2010 in the US.

Gauri Kamath

GRAMEEN BANK

Call Of The Big Apple

In a first, microfinance pioneer Grameen Bank targets the US market

BLOOMBERG

HOPE: The bank will offer $176 million in loans in New York alone

SUSTAINABLE economic development can only happen if there is financial inclusion. That is the message that Grameen Bank of Bangladesh has sent out in the Big Apple.

The bank has disbursed about $50,000 to a group of women in Jackson Heights, Queens, New York City.

The bank intends to offer $176 million in loans in New York City over the next five years, and after that expand into remittances and mortgages all over the US.

Grameen Bank made its name by lending money to poor women to start small businesses.

There is a lesson in this for Indian banks. Despite the talk of financial inclusion, farmer suicides and indebtness continue to haunt the country's poor. Indians should learn from Grameen Bank and its founder Muhammad Yunus.

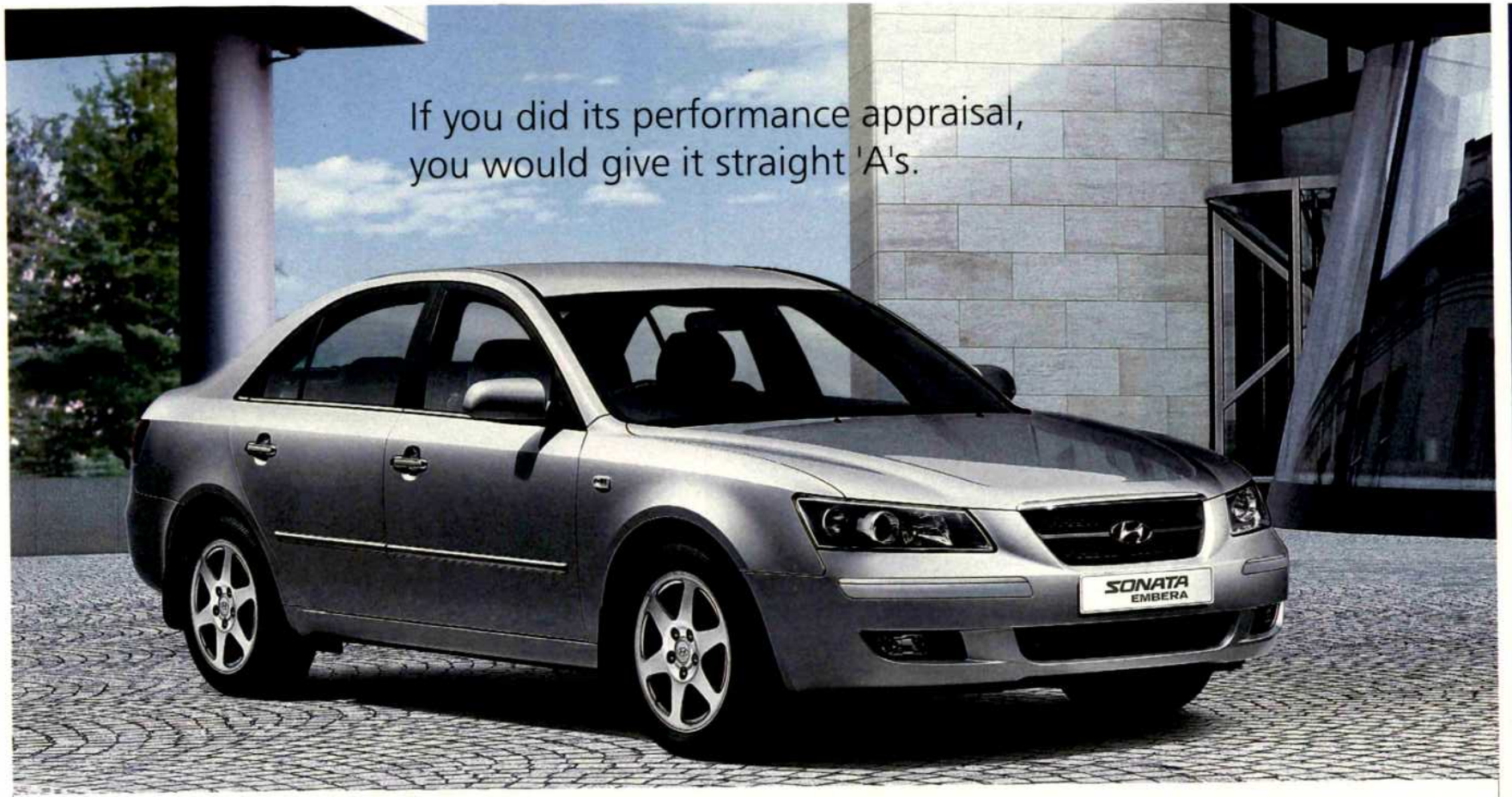
Raghu Mohan

Advantage

INDIA

Salary hike: When it comes to salaries, Indians get the fastest jumps in Asia-Pacific, according to the annual Asia-Pacific salary survey by Hewitt Associates. Indian employees will receive an average 15.2 per cent hike. While salary increases are largely dictated by talent demand and supply, there will be a gradual decrease in salaries by 2012, the survey says.

€1 million. The alleged tax evasion by Klaus Zumwinkely, former CEO of Deutsche Post



Drive your way™

Sonata Embera. The best in engine technology, with luxury and performance to match.

It's built to pleasantly surprise even those who are used to the finest things in life. The elegant contours; the gentle purr of the powerful engine; the sinfully luxurious interiors – Sonata Embera transports you to a different world every time. Come, revisit the familiar feeling of elation and success – take a test drive today.

Available in Diesel and Petrol, with Automatic and Manual Transmissions.

SONATA EMBERA

UNDOUBTEDLY DISTINGUISHED

HYUNDAI www.hyundai.co.in

1-800-11-4645
ALWAYS ALL THE WAY
HYUNDAI
098-7356-4645

FULLY AUTOMATIC CLIMATE CONTROL • DUAL SRS AIRBAGS • 8-WAY POWER DRIVER SEAT • KEYLESS ENTRY WITH IMMOBILIZER • COMPLETE LEATHER UPHOLSTERY • ANTI-LOCK BRAKING SYSTEM

Features and specifications as shown may not be part of standard fitment and are subject to change without prior notice.

MANUFACTURING UNIT AND REGISTERED OFFICE: SRIPERUMBUDUR TALUK, TAMIL NADU-602105. PH: 91-44-47100000, 27156111 **MARKETING AND SALES HEAD OFFICE AND NORTH REGIONAL OFFICE:** NEW DELHI- 110044. PH: 91-11-41678800, 41599853-59 **REGIONAL OFFICES: SOUTH:** CHENNAI-600032. PH: 9940174287, 9940123251 **WEST:** MUMBAI-400069. PH: 91-22-40969000 **EAST:** KOLKATA-700091. PH: 91-33-40060045, 40060049

INNOCEAN-033/08

AP

Disney ups UTV stake

California-based family entertainment and media company Walt Disney has offered to invest Rs 805 crore to increase its stake in media and entertainment company UTV Software Communications from 13.7 per cent to 32.1 per cent.

Disney will also invest an additional Rs 120 crore for a 15 per cent stake in UTV's broadcasting unit, UTV Global Broadcasting. UTV can use this money to roll out new channels. According to media reports, UTV has plans to launch a Hindi movie channel and an English business news channel.

Defence tie-up

Tata Advanced Systems, a subsidiary of Tata Industries, has formed a joint venture with the Israel Aerospace Industries (IAI) to manufacture defence products, including missiles, unmanned aerial vehicles, radars, electronic warfare and security systems.

The new venture will perform offset work for IAI and other defence and aerospace programmes in India.

L&T's on a high

Engineering and construction company Larsen & Toubro has won a Rs 1,250 crore project from state-run ONGC for construction-related work in Mumbai High.

According to the contract, L&T will be responsible for the complete engineering, procurement, fabrication and installation of the offshore platforms.

BLOOMBERG

The turnkey project, expected to be completed by April 2009, comprises well platforms, sub-sea interconnecting pipelines, sub-sea cables and topside modifications for the Mumbai High South Field.

3i Infotech's China foray

IT services provider 3i Infotech has signed an agreement with China's Yucheng Technologies to set up a joint venture in China. 3i Infotech will initially invest $5.1 million in the $10-million joint venture.

Growing by acquisition

Agro-chemical maker United Phosphorus has acquired Bogota, Colombia-based Evofarms Group of Companies. Evofarms markets crop protection generics and has several product registrations in Colombia.

United Phosphorus has actively chased brands and companies to widen its global presence, with more than a dozen acquisitions since 2006. Last July, it acquired Argentina's Icona, marking its entry in the Latin American market.

DEALTRACKER

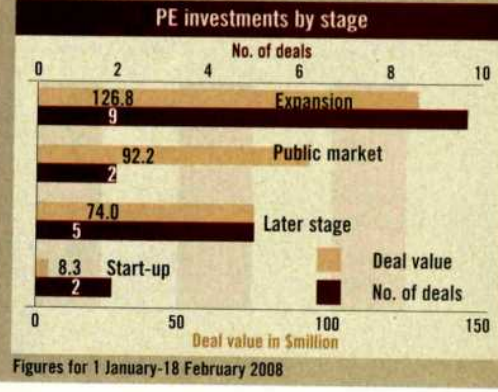
BW-THOMSON FINANCIAL PE TRACKER

February The Asian PE market saw 75 deals worth $444.40 million as on 18 February 2008. India was the largest market in the region with 47 deals worth $307 million.

Top 10 India deals

TARGET	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Bharti Infratel	Kohlberg, Kravis, Roberts & Co.	US	250.00
Ashoka Buildcon	IDFC Private Equity	India	178.50
Narayana Hrudayalaya	CCMP Capital Asia, American International Group	Hong Kong US	101.40
Jai Balaji Group	Citigroup Venture Capital Intl	US	69.30
Globe Capital Markets	Citigroup Venture Capital Intl. Asia	Hong Kong	41.50
Updater Services	ICICI Venture Funds Management Co.	India	26.00
Uniparts India	AIG Capital Partners	US	20.00
NetMagic Solutions	Nexus Group, Fidelity Ventures	US	20.00
Consim Info	Mayfield Fund, Canaan Partners, Yahoo	US	11.80
Kijiji India	Matrix Partners	US	NA

Figures for 3-16 February 2008



Figures for 1 January-18 February 2008

Lockheed Martin's $1-billion deal

The world's biggest defence contractor, Bethesda, Maryland-based Lockheed Martin has won a $1-billion order to supply India with six Super Hercules C-130J military transport aircraft. The US defence company will deliver the aircraft in a phased manner from 2011.

The order includes lifetime maintenance support guarantees for the four-engined turboprop aircraft. Lockheed Martin is the Pentagon's biggest supplier by sales.

BHEL powers Libya

Bharat Heavy Electricals has bagged a Rs 650-crore contract from General Electricity Company of Libya for setting up a 300 MW gas turbine-based power plant on engineering, procurement and construction basis. This is an extension of the 600 MW western mountain power project, which was also constructed by BHEL. The equipment for the power plant will be supplied from the manufacturing units at Haridwar, Bhopal, Jhansi, Bangalore, Chennai and Ranipet.

JPMorgan's Asia focus

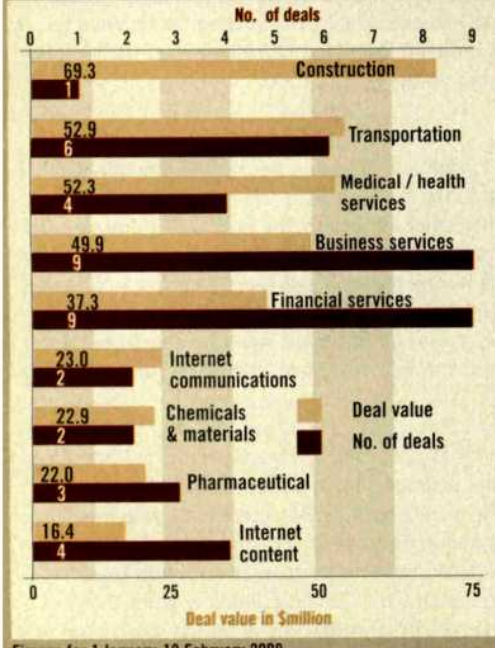
JPMorgan Chase & Co. has decided to launch a $750 million Asian private equity fund. The fund will be an extension of the bank's New York-based private equity business. It will take non-controlling stakes in Asian companies including consumer, retail, industrial, health care, technology and natural resources.

Ranbaxy's R&D spin-off

Ranbaxy Labs has announced its decision to de-merge its new drug discovery research (NDDR) unit to its subsidiary Ranbaxy Life Science Research. This will help Ranbaxy Labs save about $25 million in costs in the current fiscal. The cost savings are likely to increase significantly in the coming years, the company said in a statement. The assets, liabilities and research personnel of the NDDR unit will be transferred to Ranbaxy Life Science Research. The spin-off is subject to the requisite approvals, which are expected in the second half of 2008.

BLOOMBERG

PE investments by industry



Figures for 1 January-18 February 2008

Top 10 Asia deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Stella Group	Australia	CVC Capital Partners	UK	361.00
Bharti Infratel	India	Kohlberg, Kravis, Roberts & Co.	US	250.00
Ashoka Buildcon	India	IDFC Private Equity	India	178.00
Narayana Hrudayalaya	India	CCMP Capital Asia, American International Group	Hong Kong US	101.40
Jai Balaji Group	India	Citigroup Venture Capital Intl	US	69.30
Globe Capital Markets	India	Citigroup Venture Capital International Asia	Hong Kong	41.50
Updater Services	India	ICICI Venture Funds Mgmt Co.	India	26.00
Everest Kanto Cylinder	India	CLSA Capital Partners	Hong Kong	22.90
Uniparts India	India	AIG Capital Partners	US	20.00
NetMagic Solutions	India	Nexus Group, Fidelity Ventures	US	20.00

Figures for 3-16 February 2008

Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

With private investment in defence, is there a risk of creating a military-industrial complex?

We asked... Nagesh Kumar, DG, Risk and Info. Systems for Developing Countries, Ved Marwah, Honorary Research Professor, Centre for Policy Research, K.A. Hai, Chief Exec., Mahindra Defence Systems, Radha Kumar, Dir., Nelson Mandela Center for Peace and Conflict Resolution, Jamia Milia Islamia, Parth J. Shah, Dir., Centre for Civil Society, Shreedhar Gupta, Dir., Abhishek Auto Industries, Srickant Rajagopal, Asst VP, SSKI Corp Fin and Investment Banking, Shankar Bajpai, Chr, Delhi Policy Group, Laxman K. Behera, Associate Fellow, Inst. for Defence Studies and Analyses, Ishrat Aziz, Pres, Assoc of Indian Diplomats

"An MIC could emerge, but it won't be any different from the inefficient government-lobby."

Radha Kumar, Dir., Nelson Mandela Center for Peace and Conflict Resolution

"We can't reverse what the West has done, but we shouldn't allow privatisation in defence."

Parth J. Shah, Founder and Director, Centre for Civil Society

"There may be a risk but the need for involvement of the private sector can't be denied."

Ved Marwah, Honorary Research Prof., Centre for Policy Research

Yes 50%

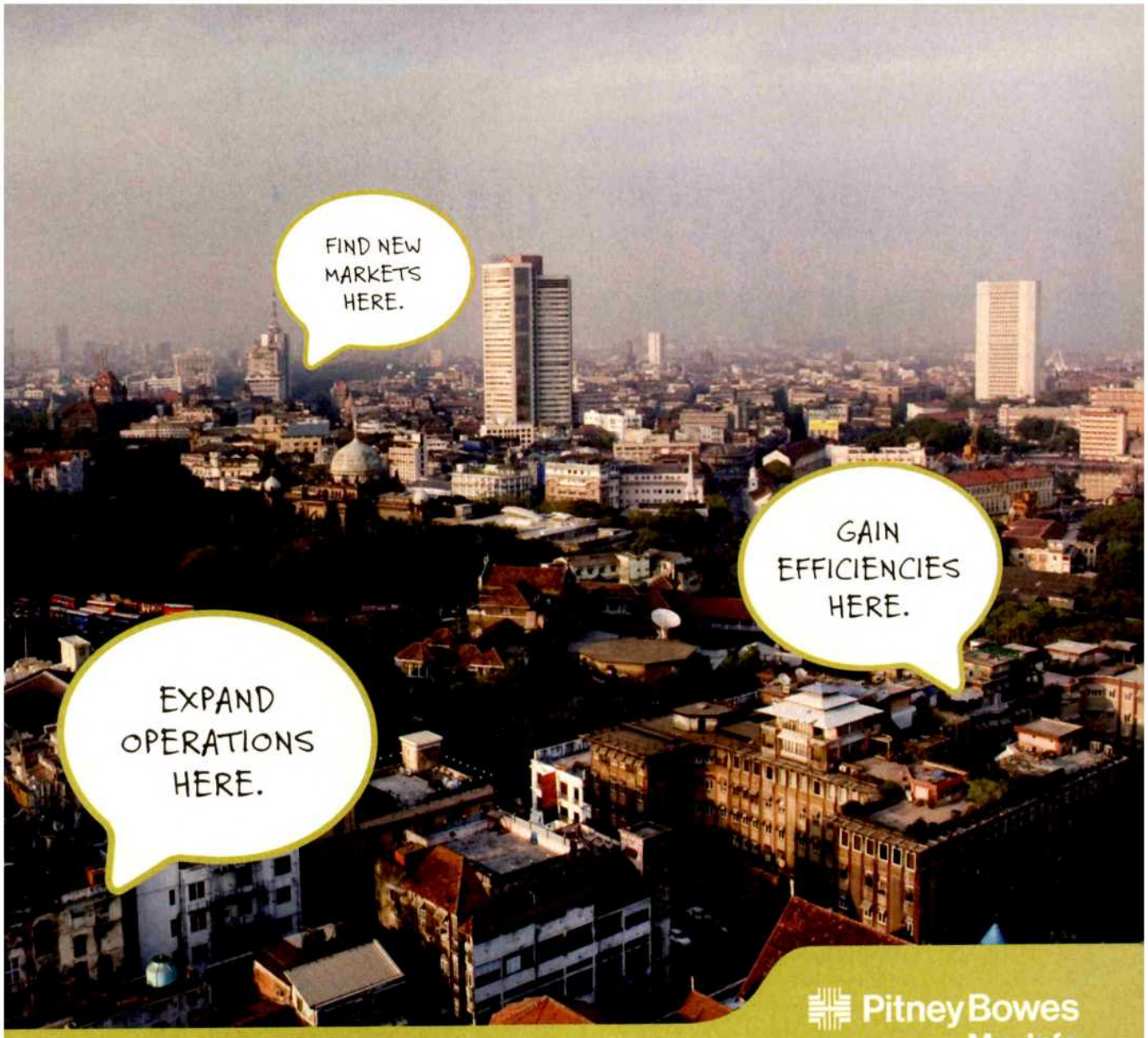
YES BECAUSE: On 17 January 1961, the then outgoing American President, Dwight D. Eisenhower gave his legendary farewell speech. Legendary, because that was the first time somebody in his position had openly acknowledged the possibility of the "acquisition of unwarranted influence" by the military-industrial complex (MIC). A similar sentiment echoes today in the hearts of some people in India as private investment in Indian defence reaches an all-time high. With the growing interest of private players in defence, concerns regarding the creation of an influential lobby comprising the defence forces and the arms industry are surfacing. Some respondents believed that it is highly likely that such a lobby of the military forces and the industry might emerge, albeit in the distant future.

No 40%

NO BECAUSE: Tata Motors, Ashok Leyland, Larsen and Toubro are just a few companies that have shown active interest in the recent past in manufacturing heavy artillery, all-terrain vehicles, etc. for the Indian defence forces. Many respondents believed that after all these years of State control over defence without a justifiable level of advancement in the state of technology and an ever-burgeoning import bill, it is high time that the private sector stepped in. As for the possibility of the creation of a military-industrial complex, while some expressed faith in the integrity of senior defence officials, a few others said that even if such a power block is created at some point in the future, it won't be able to wield much influence over the strategic decisions of the State that might endanger internal security or peace.

Maybe 10%

MAYBE BECAUSE: It is too early to even try to judge whether we stand the risk of creating a military-industrial complex, believe some of our respondents. Indian defence is badly lacking in terms of innovation and technology, and as long as the private sector helps overcome these problems, one shouldn't worry about what 'could be' rather than acknowledging what 'should be'. Also, an MIC need not only comprise private industrialists; it can comprise State-run companies also. And these respondents were of the view that such a State-run MIC already exists in India. Another point that was brought up was that MICs emerge in countries with 'expansionist' agendas. India, on the other hand, is not as outwardly focused and is more concerned with protecting its territory.



Pitney Bowes MapInfo

FROM MORE EFFICIENT OPERATIONS TO HIGHER ROI, YOU CAN LEARN A LOT FROM LOCATION.

Location intelligence can tell you precisely how and where to grow. How to add more wow to customer service. Even how to make your operations more efficient, and your offerings more differentiated. To start listening, talk to the location intelligence professionals at Pitney Bowes MapInfo. Through comprehensive software, expansive data sets, expert consulting and support, we help your entire organisation leverage the unique power of location-centric information for better, more informed decisions. See what location intelligence tells you. For more information contact us at india@mapinfo.com. **Be Location Intelligent®**

See how location intelligence drives key business decisions.
Download *Location Intelligence: The New Geography of Business* at mapinfo.com/location64

©2008 Pitney Bowes MapInfo Corporation. All rights reserved. MapInfo and the MapInfo logo are trademarks of Pitney Bowes MapInfo Corporation.

A Budget For Slowdown

by omkar goswami

HAD HE LIVED IN EUROPE DURING THE TIME, Finance Minister P. Chidambaram would have been one of Napoleon's favourite generals. He has all the skills for his job; more importantly, though, he has enjoyed all the luck and more in his second innings. Thanks to a compounded annual growth rate upward of 8.6 per cent over the last four years, Mr Chidambaram has had an enviable situation of an overflowing exchequer.

A lot on social sector; sops to industry; sun-setting put off; high on politics; but basically safe

Particularly amazing has been the growth in direct tax revenues. Between April 2007 and mid-January 2008, net direct tax revenues to the centre grew by 42 per cent to Rs 217,149 crore, which was over four-fifth of the budget estimate for 2007-08. Given the hiccups in industrial growth during the second half of 2007-08 and the strengthening of the rupee, excise and customs collections may not be so buoyant. But it is a safe bet that the revised estimate of net tax revenue for 2007-08 will exceed the budget targets. No recent finance minister has achieved such results. Mr Chidambaram will have done it thrice in a row.

Such bountiful revenue will give the FM considerable room for manoeuvre. The question is: how much of a long rope will he give to expenditure? As I write this, the budget has been prepared for all intents and purposes; and by the time you read this, everything will have been cast in stone. But when things were fluid, what might have been the factors that the FM had to take into account?

To my mind, there would have been four. The first factor is political. The government is in its final lap, and this budget will be structured with an eye on impending elections. That implies an expansionist budget targeted at rural India, the social sector, employment generation and micro and small enterprises. I, therefore, expect significant percentage increases in outlay on the various planks of the Bharat Nirman programme, such as drinking water and sanitation, rural roads, rural electrification and rural housing. I also expect more on Sarva Shikhsya Abhiyan, the mid-day meal scheme and the National Rural Health Mission. Most likely, the largest absolute increase will be on the National Rural Employment Guarantee Scheme.

These and other social sector heads will comprise a large part of the budget speech. But even with a sizeable increase in outlays, in the aggregate these will not amount to much in the backdrop of stellar revenue buoyancy. Certainly not of a magnitude where anyone can accuse the FM of being a fiscal profligate.

The second factor is the distinct possibility of an economic slowdown. Mr Chidambaram is a realist who understands numbers, especially early warning signs. Given the present state of electricity, roads, highways and ports, it is very unlikely that industry can expect to continue growing at double-digits. Growth of the Index of Industrial Production has fallen from 11.2 per cent in April-December 2006 to 9 per cent for April-December 2007, and is trending down. My estimate is that India will be looking at a GDP growth of between 7.5 per cent and 8 per cent in 2008-09. Lower growth may require some expansionary sops. And I believe that the FM will offer a few, without too much pressure on the fisc.

The third factor is a guillotine called the Seventh Pay Commission. Mr Chidambaram had the misfortune of being at North Block when the Sixth Pay Commission was implemented. It seriously hurt the exchequer and scarred him as well. He knows of the pressures for substantial increases in civil service pay; and he knows how it can rock the exchequer. The FM will need to stash away a sizeable chunk of revenues to make these payments. And to go easy on major expenditure outlays, knowing that a big splurge is around the bend.

The fourth factor is fiscal rectitude, and the Fiscal Responsibility and Budget Management Act. Will Mr Chidambaram meet the Act targets for 2007-08 and 2008-09, and leave a much stronger exchequer? I believe he would want to; but he may not be able to, given the possibility of a slowdown, bigger pays and election-year sops.

On balance, what should we see? Lots of stuff on social sector expenditure; some sops to industry; a hold on reducing customs duties; talk on additional resources to meet pay commission recommendations; some talk too on the need for a strong exchequer; and, of course, couplets from Thiruvalluvar and other poets. High on politics; but basically safe. Or so, I hope.

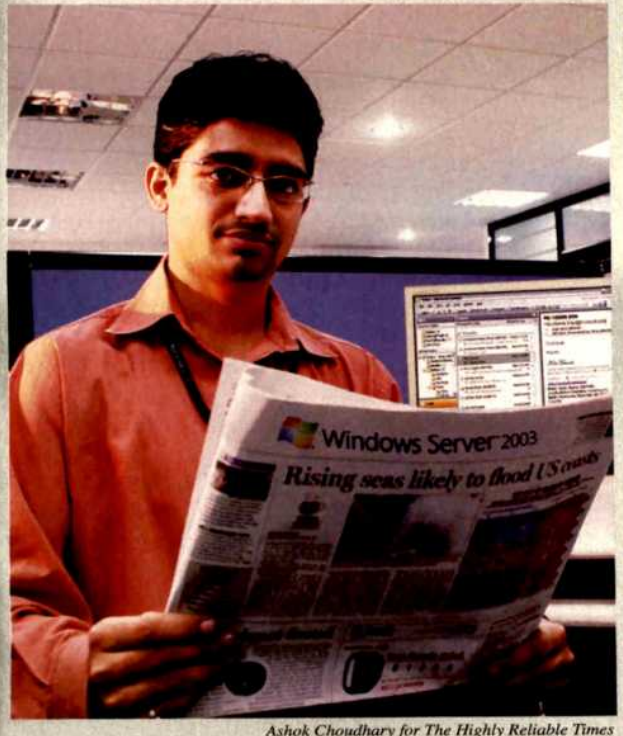
The author is chairman of CERG Advisory.
omkar.goswami@cergindia.com

The Highly Reliable Times

VOLUME 1 – ISSUE 2

Windows Server 2003

WINDOWS CLICKS WITH NET4INDIA OVER LINUX



Ashok Choudhary for The Highly Reliable Times

Net4India manages its multitude of internet based services efficiently with a strong IT backbone.

VALLI SPEAKS OUT:

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0,"

- Desi S Valli, ED & COO, Net4India.

Millisecond customer response made possible by a reliable communication platform

By C. LAL

NEW DELHI, Nov. 2007 - Net4India is the leading pan-India IP communications company and the only Indian Internet communications company with service provisioning ability on a multitude of Internet based services such as domain registration, Web hosting, data center operations, business e-mail solutions, Internet telephony services and Internet access services.

Net4India had built its portal on open standards i.e. Linux as the operating system and MySQL as the database. However problems plagued this arrangement, right from slow lead time affecting customer experience to unreliable web environment that required the team to constantly develop updates. Net4India required a scalable, reliable and secure solution to manage its operations.

Which is why, Net4India turned to the Microsoft® .NET Framework 3.0 programming model. The Technology team used Windows® Communication Foundation and Windows Workflow Foundation to simplify, speed up and future-proof its applications. More importantly, it provided the seamless, secure, and reliable connection across the e-commerce portal that Net4India was looking at.

"Customers are looking for millisecond response times which the Linux and MySQL was unable to cope with. We wanted our Web servers to return queries in milliseconds. This has been achieved by the new application running on SQL Server 2005 and Microsoft .NET Framework 3.0," explains Desi S Valli, ED & COO, Net4India. The solution was designed keeping in mind enhancement of the user experience and to provide a reliable technology platform for high usage data center environment.

The customers seem to be the real beneficiaries of the improvements that the new Microsoft Windows®-based architecture employed by Net4India brings. For the full Net4India case study plus other independent case studies and research findings on reliability of Windows Server over Linux, visit us at microsoft.com/india/getthefacts

BREAKING NEWS:
Satisfied customers back the secure communication platform

Consistent updates ensure Net4India delivers a secure platform and a long line of supremely happy customers. – *Continued on Page 14*

© 2008 Microsoft Corporation. All rights reserved. Microsoft, Windows, the Windows logo and Windows Server are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

McCann/MSFT/23/08

Tripping On The Bourses

by Baiju Kalesh

The bonus proposal is meant to secure future listings

ANIL DHIRUBHAI AMBANI GROUP'S (ADAG'S) announcement that it is considering a proposal to issue bonus shares to Reliance Power (RPL) investors within 15 days of listing on stock exchanges is unprecedented for a company that has virtually no assets to show. The proposal, which would be put up to RPL board on 24 February, has thrown up a plethora of corporate and legal issues.

First, bonus shares are usually issued when a company has accumulated profits and reserves but ADAG intends to use a part of the Rs 11,300 crore (Rs 420-440 per share premium) it collected to issue bonus shares in a bid to reduce the average cost of acquisition of shares.

A bonus issue may reduce the average cost to below Rs 300 — just about the worst price the stock has traded at so far. On its debut day, 15 February, the RPL stock closed with a loss of 17.2 per cent and hasn't since crossed its issue price except very briefly on the listing day, disappointing investors hoping for listing gains.

Second, the promoter group led by Anil Ambani has excused itself from subscribing to the bonus shares, but the move has raised questions of whether the bonus shares can be issued to a certain set of investors only. Another point is whether Reliance Energy that owns 42.5 per cent stake like Anil's holding company AAA Ventures is entitled to the bonus shares. Since this is the first of its kind, corporate lawyers are racking their brains to find out the legality of the proposal.

"It is to regain the investor confidence," says Sreekumar Nair, a chartered accountant whose firm advises companies like TVS Motors and McDonald's India. "Since Anil is planning more listing, he had to regain investor confidence."

Anil's bonus proposal kills two birds with one stone. One, it pares down the cost of acquisition. Two, it would increase the market capitalisation of Reliance Power that is planning to generate 20,000 MW by 2013. Anil has been under pressure since the listing to uphold his family's reputation of rewarding shareholders under any circumstances. Though Ambanis have been to public numerous times, no stock of theirs has ever gone below its issue price.

The junior Ambani and his elder brother Mukesh Ambani have lived up to the equity cult promoted by their father Dhirubhai Ambani until RPL tripped on the bourses. It drove Anil into a corner. The country's largest public offer, which generated demand to the tune of $190 billion turned a damp squib as investors blamed investment bankers and promoters for the high price they set for the share.

In one of Reliance Power road shows for a select group of 30 share brokers, Anil Ambani shared the dais with his jogging partners along with lead managers. When quizzed about the audacity of a shell company like Reliance Power launching the country's largest public offer, the ADAG chairman let his jogging partners speak about his running speed that would be replicated to complete 20,000 MW in record time.

On larger-than-life valuation, the marathon runner quoted his investment bankers' expectation of a Rs 1,000 listing on the bourses. The issue was oversubscribed 73 times the size of the issue. But Ambani's hopes were dashed when Reliance Power tanked and investors lost crores of rupees, the first such listing from the Ambani family. Two years back, Mukesh had raised a record Rs 10,800 crore during the Reliance Petroleum public offer.

Sources say soon there could be a private placement of RPL shares with foreign institutional investors at a higher price, a trend followed by Anil in all his companies. This could bring yet another upside for the hassled RPL investors.

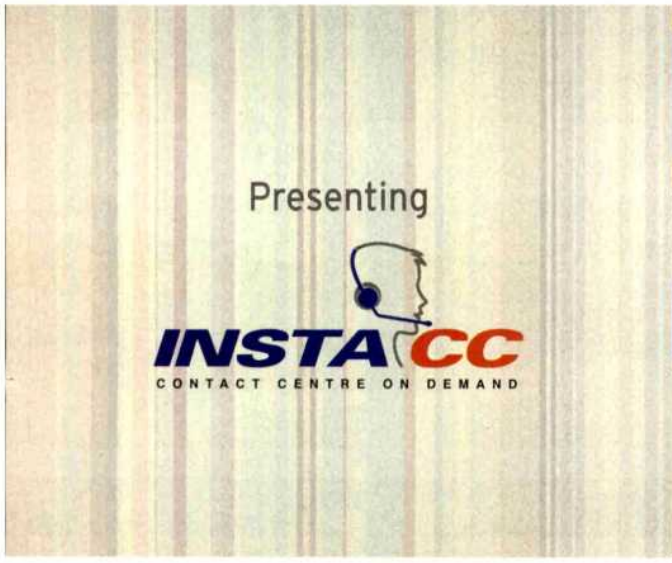
SUBHABRATA DAS

INVESTORS' FURY: For the first time, an Ambani issue has fared badly on the bourses

baiju.kalesh@abp.in

A Contact Centre Solution
that grows with your business

TATA



New opportunities emerge almost unexpectedly, sometimes from nowhere. At such times you need the ability to overcome constraints when your business requirements expand. Our Insta™CC on-demand hosted contact centre solution provides you quick set-up with advanced features like predictive dialling, performance based call routing, IVR and world-class voice and e-mail multimedia solutions.

With Insta™CC we go beyond just connectivity

- Fast Deployment
- Zero CAPEX, Pay-per-use
- Flexible infrastructure totally managed by Tata Communications

Powered by CosmoCom™, this ready-to-roll service allows you to scale the number of seats as you grow and focus on your core business leaving the technology worries to us.

Call: 1800 209 8765* now to fix an appointment
E-mail: mysolutions@tatacommunications.com
For more information
Visit: www.tatacommunications.com

* Toll free number can be dialled from any service provider.

Our Suite of Solutions

MANAGED NETWORK SERVICES
- Global VPN Services
- Ethernet WAN Services
- Internet Access Services
- Private Line Services
- Inbound and Outbound Voice Services
- ATM Services
- Satellite Services - Inmarsat
- Broadcast & VSAT

MANAGED IT INFRASTRUCTURE SERVICES
- Collocation Services
- Managed Hosting Services
- Managed Storage Services

MANAGED APPLICATION SERVICES
- Business Messaging and Collaboration Services
  - ReadyAccess Messaging
  - Adaptive Messaging
- Hosted Contact Centre Services
  - Insta™CC
- Audio & Web Conferencing Services

TATA COMMUNICATIONS

Since Feb 2008, VSNL is now known as Tata Communications.

SANJIT KUNDU

IT Firms Pop The Pill

by Gauri Kamath

IT services companies barge into high-tech clinical research

THE POTENT COMBINATION OF INFORMATION technology (IT) and globalisation has spawned a whole new breed of competitors to the global clinical research organisations (CROs) that manage clinical trials for the $735-billion pharmaceutical industry. Leading IT services companies such as Accenture, Cognizant and Tata Consultancy Services (TCS) are walking away with plum contracts to manage and process clinical trials data — information on the safety and efficacy of trial drugs — and other technology-driven services for Big Pharma from under the nose of the $10-billion CRO industry that has long prided itself as being the drug industry's partner of choice.

Last week, Japan's fourth largest drug maker Eisai — which chose Accenture's Bangalore centre — joined a growing number of American and European drug companies outsourcing this function to IT services players. Incidentally, Accenture set the ball rolling in 2003 when it entered a 10-year contract with American drug maker Wyeth to manage its global clinical data management operations, probably the first time Big Pharma looked outside its comfort zone for this function. Fellow US drug maker Eli Lilly and UK's GlaxoSmithKline have also awarded long-term contracts to Mumbai's TCS, and Cognizant is a vendor to Pfizer, the world's No. 1 pharma company. "This is definitely a trend," says Vasudeo Ginde, managing director of Mumbai CRO iGate Clinical Research. "More may follow."

CLINICAL RESEARCH: IT is being seen as an important tool to cut down a drug's time and cost to market

IT services companies inherently have some advantages, says Rena Ahuja, industry analyst for healthcare practice at consultancy Frost & Sullivan in Mumbai. Not least of them is the ability to move large groups of people — in the hundreds — in and out of trial projects at short notice. Trials of a single drug run over several years, but may be canned mid-way because of unacceptable side-effects or the lack of desired efficacy. So while companies have to hire large teams to enter and process trials data, they may suddenly find themselves without much to do. An IT company can move programmers out of the pharma project and into other high-volume projects in, say, banking and insurance, and vice-versa. This keeps them in a state of readiness to take on long-term projects quickly. "When it comes to economies of scale, an IT company does better than a CRO," she says.

There is also the question of technology. For large pharmaceutical companies struggling

with rising drug development costs, and fewer drug approvals, IT is being seen as an important tool to cut down a drug's time and cost to market. For instance, electronic data capture — where trials data is recorded and stored electronically saving on paper and other costs — is being preferred over the traditional paper-based form of data capture. And who better than an IT company to look to for solutions. "Technology is one reason why IT companies could be scoring," says Gautam Daftary, chairman of Indian CRO Siro, which manages a 200-seater near Mumbai for Pfizer, and is now upgrading its own tech infrastructure with the help of US software giant Oracle.

Indeed, IT services companies see any piece of the pharma outsourcing pie that uses technology as fair game. Last year, Accenture agreed to manage pharmacovigilance — the process of keeping track of a drug's side-effects post-marketing — at Bangalore and Chennai for Bristol Myers Squibb. Even Accenture's data management contract with Wyeth "is a key component of a broader, long-term outsourcing relationship", says P.G. Raghuraman, lead executive of delivery centre network for BPO at Accenture. Others such as TCS are partnering with companies when the drug is still being discovered through bioinformatics solutions. "Drug development has a large IT component and maybe CROs are not best placed to understand that," says Apurva Chamaria, marketing head for life sciences and healthcare at Noida-based HCL Technologies. HCL took its signal from early movers such as Accenture and ventured into this area two years ago.

And, of course, all IT companies have the India advantage of lower costs, and larger talent pools than in the West.

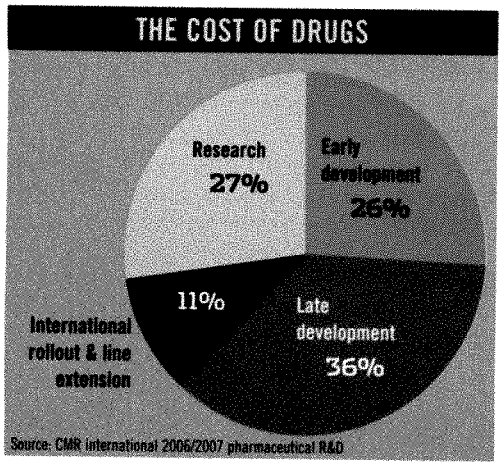
CROs are not about to cede ground, though. In 2005, North Carolina's Quintiles, the world's largest CRO, moved to centralise its data management operations in Bangalore to leverage the India advantage, and get closer to a country where it has been managing trials for the better part of a decade. The company is also investing heavily in in-house technology platforms. Quintiles' India CEO Ferzaan Engineer says that its Indian data centre is growing rapidly, getting ready to add a large project by the end of the year. "We are still very successful at winning large data management deals," he says. "We are still the partners of choice."

There is a large untapped market out there, says iGate's Ginde. He points to small and medium-sized companies — including research start-ups built around just one or two products — that have fewer projects to offshore but want a one-stop shop and personalised attention. Ginde, who services such customers, has bet that the IT companies will not drill that deep since that segment may not translate into large volumes or longer-term projects, metrics that play to their strengths.

But with the advent of more IT companies, that too may be under threat. Late movers such as HCL are looking beyond Big Pharma for two reasons. One, almost all of these are already working with other vendors. And two, small and mid-sized companies have had better luck putting new drugs into trials than Big Pharma. "We cannot afford to ignore the mid-tier," says Chamaria.

There are no doubt several in the CRO business who believe that when the chips are down, domain expertise is what will provide the edge against the IT upstarts. CROs, after all, are the ones inside the hospitals getting the trials done. "We have expertise spread all over the world that we are able to bring to bear in any situation," says Engineer. "It makes us a safer choice." Companies that work with both believe that while each has its core competence - technology for one, domain expertise for the other - beyond a point, it is execution that decides who they go back to. "Who to give business to is decided by specific selection criteria or metrics," says Chandrashekhar Potkar, director (medical and regulatory affairs) at Pfizer's Mumbai affiliate which works with Siro and Cognizant. "It is decided by execution capabilities."

Indeed, the general view appears to be that in a rapidly-growing market there is space for the two to co-exist, even for partnerships. Last year, HCL and Hyderabad CRO GVK Biosciences tied up to bid jointly for projects, and have won a few. Chamaria calls this a win-win situation. "I don't see the market shifting completely either way," he says. "There is space in it for both."



gauri.kamath@abp.in

Touch And Go

by Rajesh Gajra

The race to find a new head for Sebi was hot with politics

THE SECURITIES AND EXCHANGE BOARD OF INDIA (Sebi), got a new chairman, C.B. Bhave, on 18 February. People in the securities market generally regard Bhave highly and have welcomed his appointment, which came after a heated selection process. Bhave, who made his mark first as Sebi's executive director, is also credited as the chief architect of the National Securities Depository (NSDL), which he headed for 12 years.

BW learned that Sebi Chairman Meleveettil Damodaran's friends and supporters in the bureaucracy left no stone unturned in trying to get him an extension. However, on 28 January, the bureaucrat, who became Sebi chairman in February 2005, told a newspaper: "I am not looking at an extension. I am not an applicant, supplicant, job-seeker or even a candidate.... I want to move on." A source close to Damodaran told *BW* that although he was not averse to continuing to head Sebi, bureaucratic rivalry put paid to his hopes.

It was the finance ministry that was not keen to have Damodaran continue as the Sebi chief. Sources say the ministry had amassed material with regard to Damodaran's handling of cases and situations as Sebi chief that did not go in his favour. An anecdotal example given is that of an answer to a question raised in the Parliament last year regarding the multiple *benami* applications in what is now infamous as the IPO (initial public offering) scam of 2006. A few minutes before Finance Minister P. Chidambaram was to table the answer in the Parliament from the ministry's prepared note, an official rushed to him with a discovery that some of the crucial information provided by Sebi was incorrect.

It was also widely known that relations between top ministry officials, including Chidambaram, and Damodaran were cold. Ministry officials say the Sebi chairman was often unresponsive to their queries and calls. But when the three-year tenure of Damodaran began to approach its end, formal government appointment procedures kicked in, which did not involve the finance ministry.

The shortlist included Damodaran, Bhave, Jaimini Bhagwati (currently in the Ministry of External Affairs), U.K. Sinha (CMD of UTI Asset Management Company) and M.B.N. Rao (CMD of Canara Bank). But for the first time, the search committee instituted an interview for the appointment of Sebi chief. The candidates were asked to spell out their vision for the regulator's course forward. Damodaran did not go for the interview that took place on 29 January; instead, he sent a letter asking to be judged by his performance as Sebi chief. Bhave had sent out his vision paper for Sebi. But at the interview when he was asked whether they could consider him as a candidate, Bhave raised a conflict-of-interest issue saying Sebi was probing NSDL in connection with the IPO scam.

The search committee accepted his reasoning and finalised the names of Bhagwati and Sinha and gave it to the government. But the finance ministry wanted Bhave's candidature to be considered on its own independent merit. The ministry had extensive discussions internally and with Bhave, and decided to add his name to the final list. This list was finally sent to Prime Minister Manmohan Singh, who picked Bhave.

But Bhave's condition that as a Sebi chairman, he should not have a say in Sebi's proceedings against NSDL, was accepted. The central government has asked the Sebi board to form a team that would not include Bhave, the finance ministry's nominee and the sitting members.

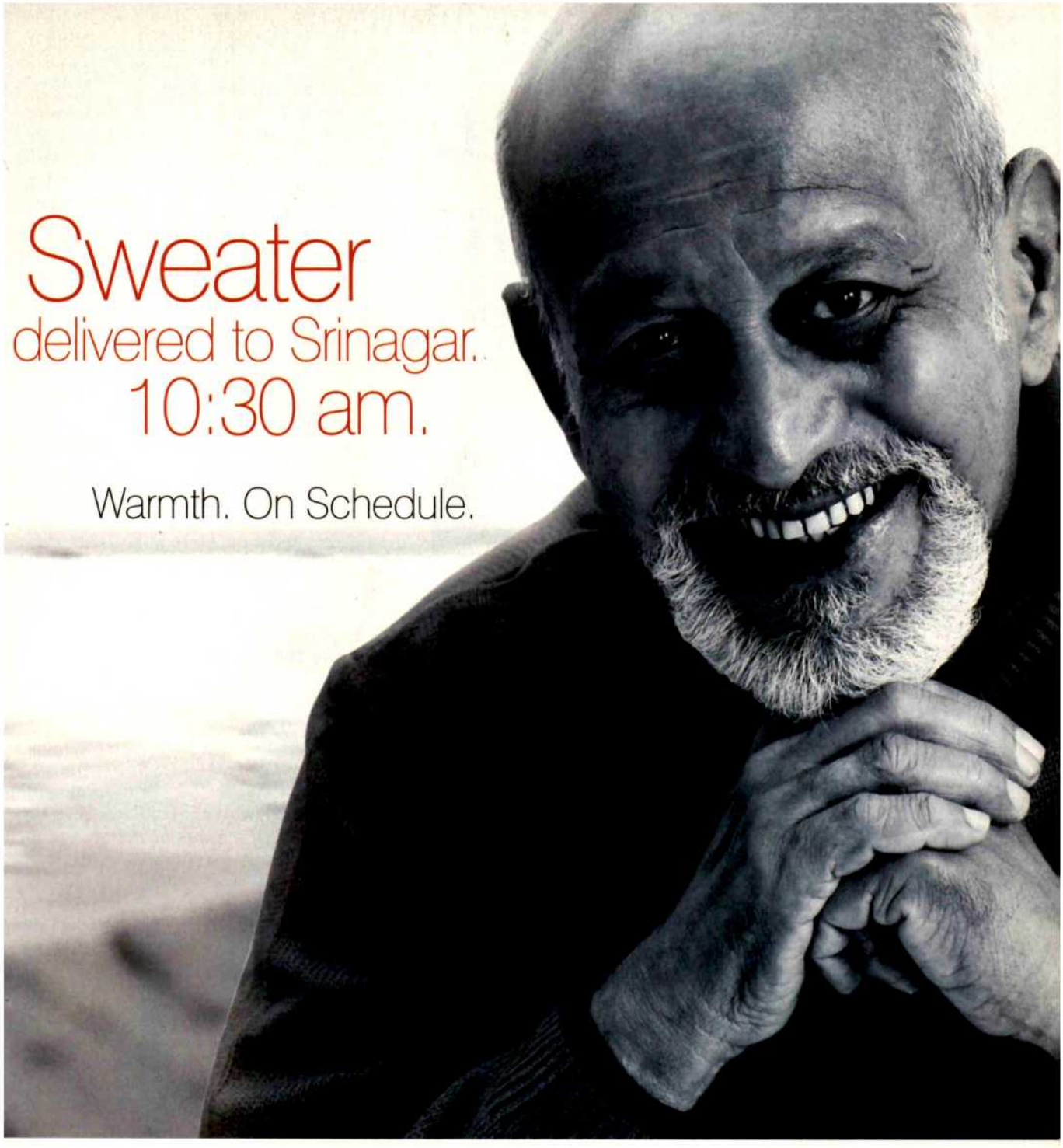
This is how a reluctant, but highly qualified man ended up becoming the Sebi chairman for the next three years, beginning 18 February.

AP

ALL SMILES, BUT... The shortlist included both Damodaran (R) and Bhave (L) who was later picked by ministry

With inputs from Dinesh Narayanan

rajesh.gajra@abp.in



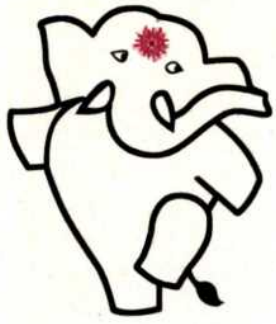
Five-hour snow storm. Two avalanches. Zero visibility. And a little girl's gift for her grandfather. We, at First Flight delivered, as promised.

800 branches. 1800 destinations, serving over 5200 PIN codes. 100 million shipments a year. We deliver everything from documents and parcels to gifts, cargo consignments, even perishables.

And sometimes, we even deliver love.

First Flight®
First Flight Couriers Ltd.

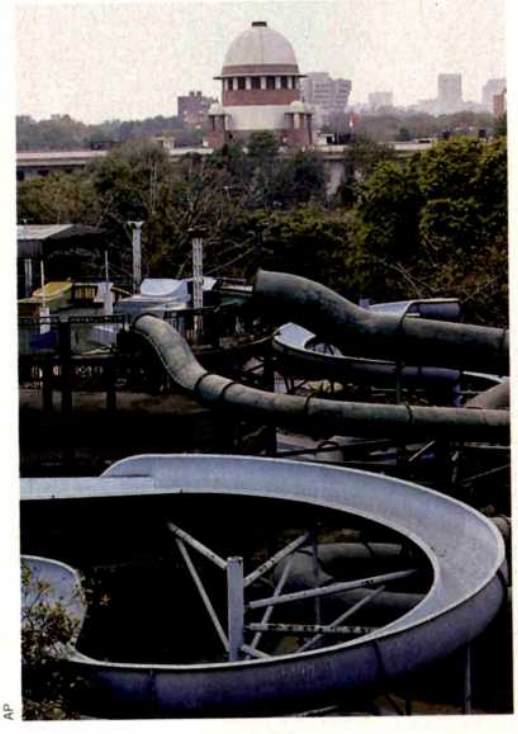
India. On Schedule.



Adieu, Appu

by Sumati Nagrath

Appu Ghar's closure signals the end of a cultural era



AP

SILENCE IS GOLDEN, GOES THE TIMELESS ADAGE. We beg to differ this time. The silence that greets you as you pass by a certain section of Delhi's busy Pragati Maidan road is disconcerting. When Appu Ghar, India's first amusement park, shut its gates at 8 pm on 17 February, it meant you would no longer hear whoops of joy and thrill from children and adults alike as they rode the park's roller coaster and other exhilarating rides. Appu Ghar's closure also signals the end of an institution that bore witness to India's grand transition from a closed, socialist nation to a liberalised, modern economy.

Although much smaller than Mumbai's Essel World, much shabbier than the new and sleek amusement parks now coming up across the country, and a rather poor imitation of its much grander European and North American counterparts, Appu Ghar was a phenomenon when it first threw open its gates on 19 November 1984. It was the first of its kind not only in the capital, but also in the country.

Part of the first generation of children for whom a visit to Appu Ghar soon became almost a rite of passage, I remember being filled with awe when I first walked past the — what at that time seemed gigantic — rotating and splendidly orange 'Appu' the elephant. The park, which was named after the mascot of the highly successful 1982 Asian Games, was, according to legend, conceived of by Indira Gandhi. She is said to have convinced Gyan Vijeshwar, then a businessman in Sweden, to move back to India and create a Disneyland-like park for Delhi.

Vijeshwar took on the challenge, set up International Amusement Pvt Ltd, and delivered. With 10 rides spread across 12.5 acres of government-allotted land, the park soon became a novelty and stayed on everyone's must-see-when-in-Delhi list for a decade. But come the mid-1990s and simple pleasures of a walk through the Bhoot Bangla or a ride in the Columbus began to be lost on a generation of children who had access to more sophisticated and personalised means of entertainment, such as cable television and computer games. Watching its core constituency slip away, the owners were forced to innovate. Oyster, the water park, opened to the public in 1998, and Appu Ghar was in business again. At its peak in 2005, the park recorded around 2.2-2.5 million visitors annually and generated around Rs 10 crore.

Appu Ghar's closure had been imminent since 1999. That is when the land lease between the Indian Trade Promotion Organisation (ITPO) and International Amusement expired. The park area will now be used for extending the Supreme Court premises and will house a library, lawyers' chambers and offices. A part of it has also been allotted to the Delhi Metro Railway Corporation. In 24 years of its life, the amusement park had emerged as an oasis of sorts for those looking for a relatively affordable place to spend a day with their family, friends or dates. Its closure, therefore, also raises serious questions about the availability of easily accessible public spaces for the growing middle-class outside the mall-and-multiplex matrix in the heart of the city.

The park's owners live in hope, though. International Amusement is trying to get the government to allocate alternative land in the capital itself for the relocation of the amusement park. And if that does not happen, they have suggested moving Appu Ghar to Jaipur. While that's small comfort for the park's 250-odd employees who have lost their jobs, the story of India's first amusement park may not be over yet.

IT'S HISTORY: The park area will now go to the Supreme Court premises and the Delhi Metro

sumati.nagrath@abp.in

Selected
Business
Superbrand
INDIA 2008
Industry Validated

www.mcxindia.com

For unreliable home security, there's theft insurance. For unreliable commodity prices, there's MCX.

Whatever threat you may face, chances are you have the option of insuring against it. But what about your business? Is it protected against the singular and constant threat of fluctuating commodity prices? Commodity exchanges provide the opportunity to hedge against this price uncertainty by offering a transparent platform where buyers and sellers can lock-in a mutually acceptable price and protect themselves from unfavourable price movements. It's an assurance your business can't do without. At MCX, we are proud to provide it.

sms MCX to 57333
call 1800-22-9444
or 022-4003 6990

Hedge in the futures market on

MCX
India's No.1 Commodity Exchange
A Financial Technologies Group Company

MCX is India's No.1 commodity exchange. Source: FMC website (www.fmc.gov.in) based on turnover in terms of value for FY 07.
Multi Commodity Exchange of India Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on SEBI website at www.sebi.gov.in as well as on the websites of the book running lead managers at www.dspml.com, www.citibank.co.in , www.jmfinancial.in, www.kotak.com and www.enam.com. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned offer document.

A right man from the Left

Meet Mr Sudhangshu Seal. Here is a man who is a politician by profession; but who would rather like to be called a people's representative, in the true sense that is. "I am of the people, for the people and by the people," he says. And he has reasons to claim that.

Hailing from North Kolkata, Seal has already touched a number of milestones in his political career, a clear testimony to his bold claims. From the city's Corporation to the state's Assembly to the country's Parliament, Seal's has been a long journey as a people's representative. Here is a brief take. In 1990, Seal was first elected as a counselor to the Kolkata Metropolitan Corporation from Ward No. 20, which he held in 1995 also. Chairman of Borough 2 from 1990 to 1995, Seal became MMIC (roads and engineering) in 1995. Then in 2000, he was again elected to the Corporation, this time from Ward No 18, and became the Chief Whip of his party CPI(M) in the civic body. In the 2001 Assembly elections, Seal was elected from the Jorabagan constituency, a traditionally Congress bastion, and pulled off a coup of sort with the first Left win in 37 years. And finally, in 2004, Seal wrestled the Kolkata North-West parliamentary constituency, making a statement in the history with the first Left win after independence.

What is the single most important factor behind this phenomenal success? Thoroughly a practical man, Seal promptly says: "Sympathy for the people, being intimately with them at least in their times of hardship, knowing their actual need, and tirelessly and sincerely striving to solve their problems, at least lessen their problems – these are the simple factors."

What is the strategy for development of this Left leader? Very simple as his tenets of economics are. "I get involved in any project that is job-oriented and has a mass involvement. For the development of the traditional industry, business and trade and for the success of Bengal's entrepreneurial endeavours, there is no thus-far-and-no-farther for me. And I do not stop before I succeed." A rough idea of the level of new job creation through his efforts? "It will run into lakhs."

As an MP, Seal has garnered Central grant for the Rs 24-crore project for development of the traditional Mallickghat flower market into a modern world-class flower complex. The complex is now exporting a large quantity of flowers, fruits and vegetables. As an innovative scheme, Seal has convinced the Union agriculture minister, Sharad Pawar, to grant special transport subsidy (even in the WTO regime) for the state's potato exporters. As a member of Parliament's commerce and industry consultative committee, Seal has been deliberating with the Union commerce minister, Kamal Nath, on the ways to make up the losses being suffered on account of the non-availability of captive refrigerated adequate containers for exports of perishable items like agri products. He has been tirelessly touring the Asian countries to explore ways to boost exports of farm products from the state.

Seal's development thoughts for West Bengal is very precise: "West Bengal produces surplus agricultural output, at a much higher yield than the national average. So, to reach its benefits to the agrarian communities, we have to make proper packaging and aggressive marketing, domestically and overseas, as well as make value addition through the use of food processing technology."

Seal is active in various spheres of development, from traffic congestion of North Kolkata, to the khadi and handicraft industry of the state, to education (he spends most part of his MPLAD funds for this cause) and health (he has brought Mayo hospita back to life) to the traditional jatra and drama cultures, to the internationally famous Kumortuli pottery art. Seal is also engaged in uplift of the state's bee cultivators. And much more

As a bee buzz, the right man from the Left always hums: "The last century was for the Western countries. This century is fo Asia."

Businessworld

INDIA'S BEST MUTUAL FUNDS

A *BW*-Value Research study

32 Foreword
34 Methodology

RANKINGS

36 Top 100 Mutual Funds
40 The Most Expensive Funds
41 The Least Expensive Funds + The Best Large Cap & Mid Cap Funds
42 The Most Invested Companies
44 The Model Portfolio For Rs 10 Lakh
46 The Best Fund Managers
48 The Worst Funds

FEATURES

52 High Cost Of Mutual Funds
54 Why Not To Invest In Sector Funds
56 Why Not To Invest In NFOs
60 Peculiar Names Of Funds
62 Performance Of Index Funds
64 UTI — What It Is Doing
68 Dollar Cost Averaging
69 Alternative Investment To MFs

COLUMNS

58 Krishnamurthy Vijayan, JP Morgan
66 Nilesh Shah, ICICI Prudential

India's Best FUNDS

P. Vaidyanathan Iyer

Mutual funds must cut costs and increase penetration to sustain high growth

IN 2007, KARTHIK KRISHNAN, NOW 31, and an investor relations executive in KPIT Cummins, Pune, was overwhelmed by the choice mutual fund (MF) companies offered him. On an average, they launched four equity fund schemes every working day! "I zeroed in on two schemes from ICICI Prudential and Reliance AMC, based on their parentage," he says. He was pushed to diversify his risk given the fact his investment portfolio comprised only stocks.

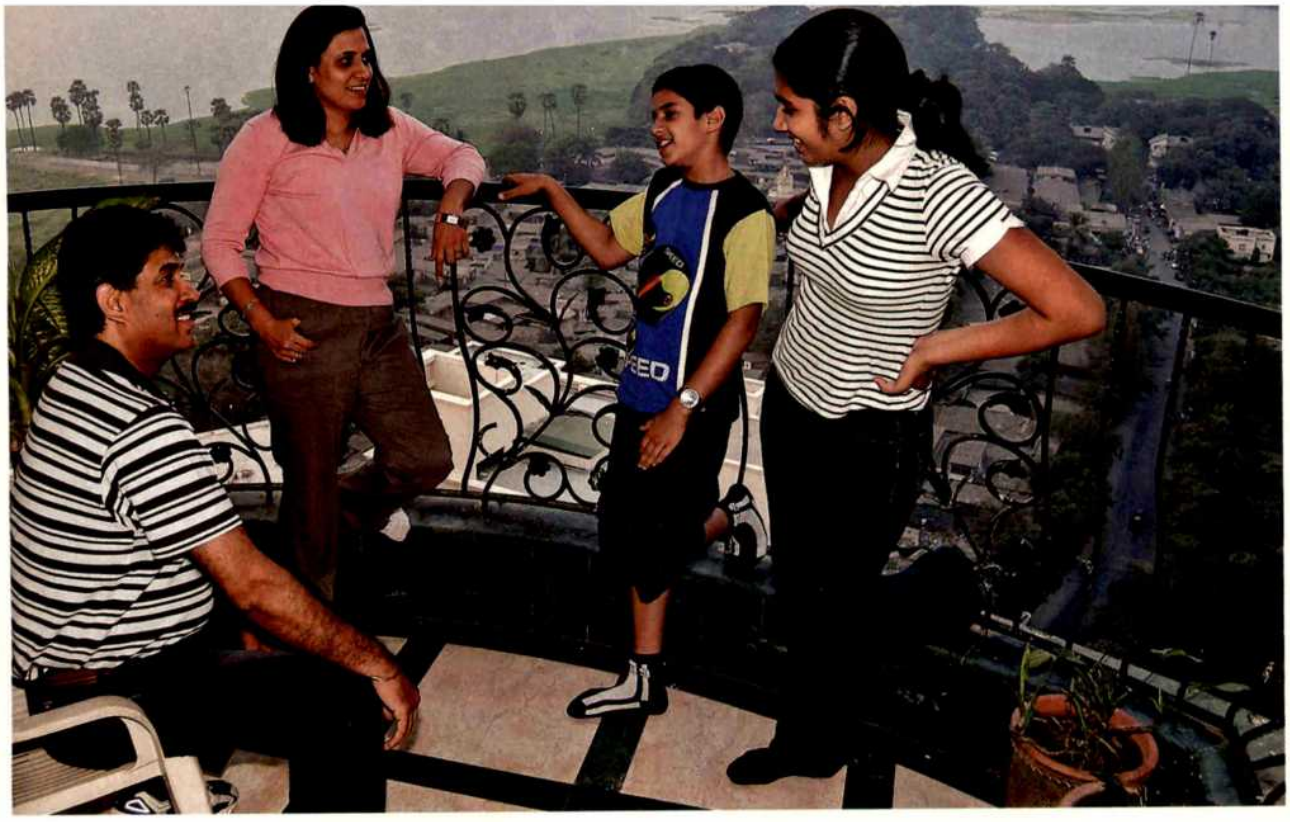
The AMCs Krishnan chose are two of the top five fund houses, according to a *Businessworld*-Value Research study. In presenting the Top 100 schemes from a universe of 1,644 schemes in India, *BW* also highlights the good — regulatory intervention, though delayed, that has cut costs for investors and made fund operations more transparent. And the bad — companies' craze to launch new funds exploiting the investor psyche that a 'low' face value of Rs 10 makes it an attractive buy.

If it was more choice for Krishnan, for the asset management companies, it was a bumper year with their new fund offers raising a record Rs 1,94,096 crore. In the past 6-12 months, big-ticket NFOs, such as Reliance Natural Resources, received as many as 700,000 applications compared with less than 100,000 applications NFOs got two years ago. Of course, the upturn in the stockmarket helped, and first-time investors in tier-3 and tier-4 cities took exposure to equities through the mutual fund route. The BSE Sensex crossed the 20,000 mark and attracted investors to include more equities in their investment basket.

The fund industry has grown phenomenally over the past couple of years, and as on 31 January 2008, it had debt and equity assets of Rs 5,50,157 crore. Its equity corpus of Rs 2,20,263 lakh crore accounts for over 3 per cent of the total market capitalisation of BSE, at Rs 58 lakh crore. Its holding in Indian companies ranges between 1 per cent and almost 29 per cent, making them an influential shareholder. Together with banks, insurance companies and FIIs — collectively called institutional investors — they have the ability to ask company managements some tough questions.

More significant than this stupendous growth has been the regulatory changes that the capital market watchdog, Securities and Exchange Board of India, introduced in the past two years. Outgoing Sebi Chairman M. Damodaran's two-year stint as chairman of Unit Trust of India helped him reform the industry by making its operations much more transparent than before. In the process, mutual funds have become a tad cheaper for investors.

Until 2007, for instance, initial issue expenses on closed-ended funds, which could be as high as 6 per cent of the amount raised, could be amortised over the tenure of the fund. This basically meant that even if an investor put in Rs 1 lakh, effectively only Rs 94,000 got invested by the fund. The initial expenses of the fund include commissions paid to distributors and money spent on billboards for advertising the new offer. In 2006, the regulator had scrapped the amortisation benefit for open-ended schemes. Not surprisingly, asset management companies started launching closed-ended funds. Of the 34 new fund offers in 2007,



SANJIT KUNDU

FUTURE PERFECT: Systematic investment in mutual funds helps build a safety net in the long run

24 were closed-ended. In January this year, Sebi said all closed-ended mutual fund schemes too will meet sales and marketing expenses from the entry load. This made it more transparent for investors, because funds had to either hike their expense ratio (management fee and operating charges as a percentage of assets under management) or charge higher entry load.

Over the past year or so, competition in the market — there are 32 fund houses with more than 1,500 schemes vying for investor attention today — has more or less standardised the entry load for equity funds at about 2.25 per cent. But, in developed markets such as the US, no-load funds — which do not charge investors for entering a fund — are hugely popular. Indian AMCs have borrowed every other fund concept such as thematic, gold, exchange traded, sector, index and fund-of-funds, from the US, but haven't yet given investors a no-load fund. Mutual funds, however, do not mind exempting large investors bringing Rs 5 crore and more from entry loads. So, in January this year, Sebi asked mutual fund companies not to charge any load from small investors who approached them directly for buying units, instead of going via brokers. At least, fragmented investors now have a window to buy funds without entry costs.

Sebi has also fixed a ceiling of 2.5 per cent on expense ratio. Expenses over and above 2.5 per cent have to be borne by the asset management company. The unfortunate bit here is that most funds are charging fees that just about meet the regulatory requirement. Globally, mutual fund investors are better off. The expense ratio of equity funds in the US averages to about 1 per cent. As far as debt funds are concerned, it is more or less in sync with overseas markets.

Yes, high costs and low awareness — hence, low penetration — remain the biggest bugbears in the mutual fund industry, but they are also battling a war with insurance companies that have launched a range of products (unit-linked insurance plans, etc.) with a similar structure, for the same set of investors. For instance, while Sachin Tendulkar, Rahul Dravid and Kapil Dev endorse products of insurers such as Aviva, Max New York, etc., Sebi bars mutual funds from getting celebrities to advertise their schemes.

In a developing market, such competition is commonplace, but the fact is, only a handful of mutual funds offer investors a safe investment avenue, and healthy returns. Happy investing.

pv.iyer@abp.in

Roll Of Honour

Top 5 fund houses

Fund house	No. of top rated funds	Total rated funds	Score
Reliance Mutual Fund	10	17	58.82
ICICI Prudential Mutual Fund	21	38	55.26
Tata Mutual Fund	14	30	46.67
Birla Sunlife Mutual Fund	18	39	46.15
HSBC Mutual Fund	6	13	46.15

Source: Value Research

How We Did It

To ensure a good mix, we have the best funds in six categories

IN A YEAR THAT SAW MUTUAL FUND COMPANIES mop up a record Rs 1,94,096 crore through 1,102 new schemes, the *BW*-Value Research study of the industry presents you with a short-list of the 100 best mutual funds.

To ensure a mix of several types, we have identified the best funds in six different categories. Thirty of the mutual funds in the list are diversified equity funds (excluding thematic and midcap); 20 are aggressive equity funds (mid-cap, small-cap, thematic); 15 each are balanced funds (debt and equity) and debt funds (medium-term debt and gilt funds); 10 are debt-oriented hybrid funds (Monthly Income Plans or MIPs) and 10 are short-term debt funds (cash and liquid funds).

For a meaningful assessment based on risk-adjusted returns, only equity and hybrid funds operating for a minimum of three years and fixed income funds with a minimum history of 18 months have been included in the study.

This gave us a universe of 1,644 funds.

The methodology used to rank these is largely quantitative. It is based on the principle of risk-adjusted returns but widened to take a composite measure of the returns a fund generates and the risk it takes to do so. The concepts used in the study are explained below:

TRIBHUWAN SHARMA

Risk: To calculate risk, monthly/weekly returns are compared with monthly risk-free returns for equity and hybrid funds and weekly risk-free returns for debt funds. A risk-free return is the State Bank of India's 45-180 days term deposit rate. For all months/weeks that the fund has underperformed the risk-free return, the magnitude of under-performance is added. This gives the average underperformance, which is ranked along with those of other funds of the same type and a relative risk score is thereby assigned.

Returns: The monthly/weekly returns of each fund (adjusted for dividend, bonus or rights) are compared with the monthly/weekly risk-free return to arrive at the fund's total returns in excess of the risk-free return. The monthly average risk-adjusted return is then compared with the average category return to arrive at a return score. In case of a negative category average return, the risk-free return is used as benchmark. The returns are then ranked along with those of other funds of the same type and a relative return score assigned. All return computations assume reinvestment of dividend and are adjusted for any bonus or rights. All trailing returns for a period of over one year are annualised.

Sharpe ratio: A measure of the fund's risk-adjusted returns per unit of risk assumed. It is calculated by deducting the risk-free rate of return from the average monthly return and dividing it by its standard deviation. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

Asset size: The total assets being managed by the fund as of 31 January 2008. Finally, a composite risk-return score was obtained by subtracting the risk score from the returns score. This composite score was used to select the top 100 funds and to rank the selected funds. To facilitate comparison, the composite score of each category was normalised to a scale of 1 to 10. All data for the study is as of January 31, 2008.

Terminology

SIP: Systematic investment plan is a method of investing a fixed sum, on a regular basis, in a mutual fund scheme. It is similar to regular saving schemes such as a recurring deposit. A SIP allows one to buy units on a given date each month. They help averaging out of investment over the bull and bear cycles. Typically, liquid funds, cash funds and floating rate debt funds do not offer SIPs.

NAV: Net asset value is the current price of every unit of a fund.

Entry load: Fee paid while entering a mutual fund. Investors dealing directly with the company do not pay an entry load.

Exit load: Fee paid while exiting a mutual fund. The fee ranges from 4 per cent to 0 per cent.

Open ended: A fund that can issue and redeem shares at any time. Fund companies create new shares for investors on the fly.

Closed ended: Shares are normally redeemed when the fund liquidates. New shares are rarely issued after the launch. Fund price is determined partly by the value of the investments, and partly by the premium/discount on it.

SMS 'KOPP' TO 5676788

THE KOTAK OPPORTUNITIES FUND IS NOW A TOP 100 FUND GLOBALLY.

AFTER ALL, YOUR MONEY DESERVES NOTHING LESS.

In addition to receiving a 5 Star Rating* by Value Research, the Kotak Opportunities Fund has also got listed in the top 100 funds# worldwide. It's the second accolade the fund has received. And for you, it's yet another opportunity to make the most of what is now, a well-proven fund. Why settle for anything less?

5 times your investment in less than 3.5 years! Performance that speaks for itself.

Amount invested on September 9, 2004 (inception date)	Rs. 1,00,000
Value of investment as on December 31, 2007	Rs. 5,25,540
Returns (CAGR)	66.6%

Performance as on December 31, 2007. Kotak Opportunities NAV: Rs. 54.181 (Growth Option). Returns = 1 year : Absolute. Returns > 1 year : CAGR. The data does not consider loads. Past performance may or may not be sustained in future. Rs. 1 lakh invested in Kotak Opportunities would have become Rs. 1,90,500 (90.5% returns) in 1 year and Rs.4,20,525 (61.4% returns) in 3 years. Whereas, Rs. 1 lakh invested in benchmark index (SNP CNX 500) would have become Rs. 1,62,200 (62.2% returns) in 1 year, Rs.2,96,674 (43.7% returns) in 3 years and Rs. 3,82,703 (50.0% returns) since inception.

KOTAK OPPORTUNITIES | kotak® Mutual Fund

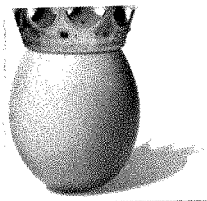
Kotak Mutual Fund AUM as on December 31, 2007 is Rs. 20,866.93 crore.

Contact us at: Ajmer 9828557883, Agra 9719222156, Allahabad 9335664902, Ahmedabad 26779888 / 26766077, Amritsar 6575777 / 6576777, Aurangabad 9921141211, Bangalore 66128050 / 51, Bhavnagar 9825433064, Bhubaneshwar 2532193, Bhopal 9827059053, Calicut 6576552 / 9447716383, Chandigarh 6540850 / 4641886, Chennai 28221333 / 45038171, Cochin 6533110 / 2339501 / 03, Coimbatore 6572165, Cuttak 9437185116, Dehradun 9719401444 / 2742900, Dhanbad 9934252102, Goa 6650490, Gorakhpur 9839579004, Guntur 9849201122, Guwahati 9854860905 / 9864011302, Hubli 9886276748, Hyderabad 66682308 / 09, Indore 4027181 / 6453390, Jaipur 6451780 / 81, Jallandhar 4631887 / 9888520569, Jammu 9906905679, Jamshedpur 6519838, Jodhpur 9828568246, Kanpur 2541016 / 17, Kolhapur 9823398501, Kolkata 22093040 / 42 / 43, Kotayam 9895280800, Lucknow 2236739, Ludhiana 9876691291 / 4646602 / 03, Madurai 4378728, Mangalore 9886738530, Meerut 4007753 / 9719459071, Muradabad 9719102702, Mumbai 66384400, Mysore 9886780074, Nagpur 9822747585, Nasik 6574255 / 9823069202, New Delhi 66306900 / 02, Panipat 4022062 / 9996336633, Patiala 9872887750 / 5015528, Patna 9835453534, Pune 64014800 / 64013395 / 96 / 97, Raipur 9826049267, Rajkot 6620735, Ranchi 6454628 / 29 / 9934302678, Rourkela 9937156370, Surat 2210596, Silliguri 9933043502, Simla 9418038178, Srinagar 9906816655, Trivandrum 4470134 / 9946666819, Trichy 9944055455, Udaipur 9928080889, Vadodara 6533957, Vapi 9825415209, Varanasi 9838594209, Vijayawada 6459930, Vishakhapatnam 9885745602

*Kotak Opportunities is one of the 5-star rated funds by Value Research in the Equity: Diversified category considering 88 open-ended schemes as on December 31, 2007 on the basis of weighted average monthly returns for the last 3 years. Value Research Fund Ratings are a composite measure of historical risk-adjusted returns. Five-Stars indicate that a fund is in the top 10 per cent of its category in terms of historical risk-adjusted returns. These ratings do not take into consideration any entry or exit load. The Value Research Ratings are published in Monthly Mutual Fund Performance Report and Mutual Fund Insight, which are subject to change every month. A detailed methodology of the above rating is available at www.valueresearchonline.com.

#Kotak Opportunities - Growth has secured a world rank of 56th (one-year total return of 91.01% as on December 31 07) among the World's Top 100 equity performing funds for the Year ended 2007. The World's Top 100 performing equity funds Lipper Report is based on the study of universe of all global funds classified as 'Equity' with a track record of at least one year, as on December 2007. In total 24,887 global equity funds (primary) have qualified for the study. World's Top 100 performing equity funds ranking is based on One year total returns denominated in INR for the period ending on 31st December 2007. Data source by global fund intelligence firm: Lipper, a Reuters Company (www.lipperweb.com)

Kotak Opportunities is an open-ended equity growth scheme. Investment Objective: To generate capital appreciation from a diversified portfolio of equity and equity related securities. Risk Factors: Mutual Fund investments are subject to market risks; there is no assurance that the Scheme's objectives will be achieved. NAV of the Scheme's Units can go up / down depending on factors & forces affecting securities markets. Past performance of Sponsor / AMC / Fund does not indicate the Scheme's future performance. Kotak Opportunities is only the Scheme's name and does not indicate its quality, prospects or returns. Statutory: Kotak Mahindra Mutual Fund is a Trust (Indian Trusts Act, 1882). Investment Manager: Kotak Mahindra Asset Management Company Ltd. Sponsor: Kotak Mahindra Bank Ltd. (liability Rs. NIL). Trustee: Kotak Mahindra Trustee Company Ltd. Before investing, please read the Offer Document.



India's Top

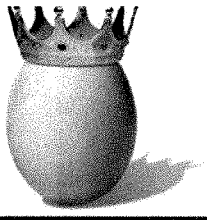
Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
1. Aggressive Equity Funds									
1	Tata Infrastructure	10.0	51.30	53.85	-26.24	-Avg	1.54	2,666.15	36.67
2	DSPML T.I.G.E.R. Reg	9.8	45.80	53.11	-24.09	-Avg	1.57	4,600.19	49.72
3	Sundaram BNP Paribas Select Midcap	9.2	26.31	48.92	-16.75	Low	1.54	2,048.40	119.34
4	UTI Infrastructure	8.5	37.51	52.21	-26.43	Avg	1.44	1,608.41	40.29
5	Reliance Growth	8.3	41.30	51.74	-44.99	Avg	1.57	5,696.39	390.86
6	Magnum Emerging Businesses	7.1	36.42	50.66	-29.49	+Avg	1.55	296.78	42.51
7	Birla Mid Cap	6.3	42.72	45.75	-25.17	Avg	1.46	771.09	95.34
8	Birla Sun Life Basic Industries	3.8	46.41	42.16	-25.10	Avg	1.30	166.71	103.03
9	Birla Sun Life Buy India	2.5	12.56	33.39	-41.55	Low	1.22	60.65	31.64
10	DBS Chola Midcap Fund	1.0	27.58	35.80	-28.34	+Avg	1.15	27.28	35.06
2. Diversified Equity Funds									
1	Kotak Opportunities	10.0	56.03	53.28	-23.78	-Avg	1.61	647.27	45.80
2	Magnum Contra	9.7	33.42	52.85	-42.69	-Avg	1.65	2,453.58	51.74
3	Magnum Multiplier Plus	9.3	34.32	52.43	-60.58	-Avg	1.64	1,115.27	74.13
4	Magnum Global	7.6	21.54	52.83	-56.71	Avg	1.61	1,753.33	55.6
5	Taurus Starshare	7.4	58.72	59.46	-39.40	High	1.56	252.74	66.9
6	Birla Sun Life Frontline Equity	6.7	31.53	42.42	-20.31	Low	1.61	332.62	68.1
7	Birla Sun Life Equity	5.4	35.89	47.25	-47.70	-Avg	1.51	1,380.77	253.9
7	HDFC Top 200	5.4	31.47	43.09	-42.90	Low	1.55	2,363.26	147.7
9	HDFC Equity	5.0	24.46	43.43	-34.72	Low	1.53	4,716.57	188.4
10	ICICI Prudential Dynamic	4.9	18.67	46.84	-26.85	Avg	1.53	2,102.60	80.4
11	Franklin India Prima Plus	4.5	29.05	44.55	-39.73	-Avg	1.56	1,776.37	184.4
12	DBS Chola Opportunities	4.4	53.48	44.57	-24.44	-Avg	1.40	66.29	43.4
12	Magnum Equity	4.4	36.84	45.99	-58.90	Avg	1.47	398.14	39.0
14	Kotak 30	3.7	40.91	45.95	-41.29	Avg	1.50	607.32	98.8
15	HDFC Growth Fund	3.2	39.89	42.32	-26.33	-Avg	1.45	894.71	68.4
15	Tata Pure Equity	3.2	35.43	41.85	-39.10	-Avg	1.42	359.95	84.6
15	Reliance Vision	3.2	33.83	43.97	-39.59	-Avg	1.48	4,286.63	246.4
18	ING Domestic Opportunities	3.0	31.02	41.19	-20.15	-Avg	1.43	112.29	36.2
19	DSPML Top 100 Equity Reg	2.7	33.89	43.18	-21.84	-Avg	1.42	757.53	78.0
20	Taurus Bonanza Exclusive	2.6	39.49	46.11	-36.81	Avg	1.43	53.72	49.4
21	DSPML Opportunities	2.2	33.43	42.94	-28.60	Avg	1.43	1,548.92	75.3
22	DSPML Equity Fund	2.1	33.01	44.93	-46.03	Avg	1.42	1,169.53	46.9
22	ICICI Prudential Emerging STAR	2.1	27.54	49.41	-27.72	+Avg	1.40	917.40	38.1
24	Tata Equity Opportunities	1.6	42.58	45.33	-26.90	+Avg	1.37	584.54	84.9

100 Mutual Funds

Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
25	HDFC Core & Satellite	1.4	23.13	39.36	-23.31	-Avg	1.35	511.15	31.83
25	Tata Select Equity	1.4	31.23	45.74	-26.92	+Avg	1.37	157.69	65.62
	Sahara Growth	1.3	35.45	40.64	-22.63	-Avg	1.37	6.65	68.88
28	Sundaram BNP Paribas Select Focus	1.2	39.12	45.66	-21.60	+Avg	1.28	701.08	85.74
	ING Select Stocks	1.1	31.85	41.17	-62.56	Avg	1.34	36.55	36.80
30	HSBC Equity	1.0	37.38	40.22	-20.91	-Avg	1.34	1,370.37	100.32
3. Balanced Funds									
1	HDFC Prudence	10.0	23.71	36.63	-17.95	-Avg	1.79	3,163.84	144.74
2	Principal Child Benefit	9.3	39.00	40.13	-17.10	-Avg	1.78	23.99	81.54
3	Magnum Balanced	5.6	24.84	36.21	-48.28	Avg	1.48	392.37	45.13
4	Kotak Balance	5.0	31.85	35.42	-25.42	Avg	1.52	84.40	29.49
5	Tata Balanced	4.7	33.16	34.29	-33.70	Avg	1.43	232.50	67.31
6	Birla Sun Life 95	4.2	30.36	32.34	-34.69	-Avg	1.43	183.78	234.36
7	Canara Robeco Balance II	3.2	21.52	34.41	-20.43	+Avg	1.30	82.85	46.48
8	DSPML Balanced	2.9	28.29	31.78	-31.91	Avg	1.37	512.08	50.15
	Birla Asset Allocation Moderate	2.7	19.58	23.46	-12.43	Low	1.32	4.81	21.60
	ICICI Prudential Advisor-Moderate	2.7	17.54	23.18	-10.10	Low	1.43	9.08	20.64
11	ICICI Prudential ChildCare-Gift	2.6	35.60	35.39	-22.03	+Avg	1.30	156.95	57.06
12	ICICI Prudential Advisor-Aggressive	2.5	18.75	30.09	-17.10	-Avg	1.41	8.50	25.49
	FT India Balanced	2.3	25.07	31.05	-29.26	Avg	1.42	323.00	41.91
	FT India Life Stage FoF 30s	1.2	17.20	21.75	-10.79	Low	1.37	11.99	21.85
	Sundaram BNP Paribas Balanced	1.0	25.45	27.03	-16.69	-Avg	1.23	46.04	41.20
4. Debt-oriented Hybrid Funds									
1	DBS Chola MIP	10.0	21.85	12.14	-2.12	-Avg	1.96	4.20	16.26
2	ICICI Prudential ChildCare-Study	9.7	13.82	14.75	-8.23	-Avg	1.47	30.24	22.60
3	Principal MIP Plus	7.5	20.23	12.87	-4.22	Avg	2.24	77.07	15.35
4	Principal MIP	5.4	16.89	10.20	-3.15	-Avg	2.41	88.12	17.70
5	HSBC MIP Savings	4.8	16.25	13.16	-3.24	Avg	2.30	114.98	15.42
6	Templeton India Pension	4.0	18.72	18.62	-7.83	High	1.37	177.69	52.57
6	Birla Asset Allocation Conservative	4.0	14.01	13.96	-3.55	Avg	1.55	5.62	16.23
8	LICMF Floater MIP Plan A	2.8	15.39	12.90	-6.37	Avg	2.12	56.32	14.70
	Birla Sun Life MIP	2.7	12.56	11.16	-4.45	-Avg	2.21	172.49	28.58
10	ICICI Prudential Income Multiplier Reg	2.5	11.27	14.90	-3.59	Avg	2.05	401.33	16.17
11	HSBC MIP Regular	2.3	13.21	10.05	-2.23	-Avg	2.39	61.32	13.97
12	Canara Robeco Cigo	2.1	15.83	17.34	-7.24	+Avg	1.49	10.59	22.54
13	LICMF Floater MIP Plan B	1.8	16.67	9.91	-1.82	Low	1.72	6.97	13.46

Data as of 31 January 2008; For methodology and definitions, see page 34

Source: Value Research



India's Top 100 Mutual Funds

Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
14	FT India Life Stage FoF 50s Plus	1.5	14.10	11.87	-4.81	Avg	1.40	13.78	15.06
15	LICMF Children's	1.0	20.28	12.97	-10.87	High	0.51	13.33	18.19
5. Debt Funds									
1	Birla Sun Life Income	10.0	16.25	9.33	-3.09	-Avg	3.43	194.96	29.92
2	Birla Income Plus	5.3	15.84	8.35	-3.78	Avg	2.45	896.81	35.22
3	Kotak Bond Regular	4.7	12.25	7.91	-3.57	-Avg	3.11	111.48	21.88
4	Birla Gilt Plus Regular	4.4	14.60	8.84	-6.53	+Avg	2.14	97.60	26.78
5	ICICI Prudential Gilt Investment	3.3	13.33	8.13	-6.75	+Avg	2.24	130.37	25.30
6	Principal Income	2.7	10.28	7.34	-2.54	-Avg	2.72	487.55	11.55
7	Sahara Income	2.5	8.46	6.39	-2.58	Low	2.54	114.57	14.05
8	Grindlays Dynamic Bond	2.4	11.27	7.65	-1.53	Avg	2.42	6.41	14.99
9	ABN AMRO Flexi Debt Reg	2.1	9.03	7.27	0.06	-Avg	4.04	1,466.13	12.47
10	ICICI Prudential Flexible Income	1.7	8.71	6.89	-2.04	Low	17.09	5,250.51	14.72
11	ING Income	1.6	10.88	6.17	-2.61	-Avg	1.98	14.04	20.13
11	Kotak Flexi Debt	1.6	8.58	7.25	1.29	Low	23.07	3,944.60	12.47
13	Reliance Income	1.4	11.67	7.53	-2.93	Avg	2.28	124.68	25.93
14	Birla Dynamic Bond Retail	1.2	10.04	7.22	0.34	Low	3.38	1,393.20	12.49
15	ICICI Prudential Gilt Investment PF	1.0	13.89	8.98	-4.00	High	1.89	65.24	13.35
6. Short-term Debt Funds									
1	Templeton India MMA	10.0	9.38	7.02	0.85	-Avg	14.22	205.64	1.00
2	HDFC Cash Mgmt Saving	5.7	8.18	6.86	1.10	-Avg	17.63	2,524.35	16.68
3	DWS Insta Cash Plus	4.1	7.99	6.72	1.08	Low	13.02	2,405.72	13.42
4	Tata Liquid	4.0	7.97	6.62	-1.31	-Avg	19.04	3,223.93	1,849.23
5	Sahara Liquid Fixed Pricing	3.3	7.98	6.58	1.10	Low	19.47	20.57	1,430.51
6	Birla Cash Plus Retail	3.2	7.89	6.63	1.02	Low	16.97	9,916.91	21.47
7	HDFC Liquid	2.9	8.09	6.73	1.01	Avg	16.10	2,494.64	15.87
8	Fidelity MultiManager Cash	2.5	7.77	n.a.	1.43	-Avg	14.69	32.31	11.53
9	ICICI Prudential Liquid Inst I	2.0	8.61	n.a.	1.67	Avg	15.43	N.A.	11.51
9	HSBC Cash	2.0	7.77	6.50	1.07	-Avg	14.14	2,648.29	13.42
9	LICMF Liquid	2.0	8.03	7.01	1.13	Avg	17.89	4,334.00	14.51
12	ICICI Prudential Liquid	1.9	7.99	6.58	1.03	-Avg	14.47	24,999.70	19.57
13	Canara Robeco Liquid Retail	1.7	7.86	6.79	1.06	-Avg	16.52	636.04	14.55
14	Reliance Liquid Treasury	1.4	7.64	6.32	0.10	Low	15.75	2,369.34	19.21
15	Birla Sun Life Cash Manager	1.0	7.73	6.52	1.07	-Avg	13.16	595.40	19.58

Funds that have underperformed the sensex in a 1-year period **Funds that have underperformed the sensex in a 3-year period**

Data as of 31 January 2008 For methodology and definitions, see page 34 n.a. Not applicable N.A. Not available Source: Value Research

Choice

Helping you choose from a complete range of Mutual Funds on offer.

At Geojit we offer you over 700 funds from 32 different fund houses. This wide choice of Mutual Funds allows us to service the varied needs of our clients. This comes from our understanding of the requirements of our clients and that each of them has different financial goals. This is reflected by over 3,75,000 satisfied clients who have entrusted us with over Rs 10,000 crores of assets under management. Let us help you make the right choice.

Call toll free: 1800 425 5501
Visit: www.geojit.com
Visit: your nearest Geojit branch

Geojit
driven by trust

Mutual Funds | Full trading account + Demat + Online bank a/c | World class technology | Equities Commodities | Futures & Options | Margin funding | Life Insurance | Portfolio Management Services

For trade or investor queries, please mail us at customercare@geojit.com. For any grievances, please mail us at grievances@geojit.com.
Registered Office: Geojit Financial Services Ltd., 5th Floor, Finance Towers, Kaloor, Kochi - 682 017, Kerala.
SEBI Regn. Nos: NSE: INB/INF 230806739 | BSE: INB010806736 | NSDL: IN-DP-NSDL-24-97 | Portfolio Manager: INP00000316

Mutual Fund investments are subject to market risks. Please read the offer document carefully before investing.

Cost Of Equity Funds

EXPENSE RATIOS AND ENTRY AND EXIT LOADS ARE THE ONLY costs for mutual fund investors. On an average, equity funds in India charge expense ratios of over 2 per cent per annum, more than double the global average of sub-1 per cent. Bond funds charge around 0.6 per cent, which is lower than the global average of 0.9 per cent. Expense ratios typically comprise management fees and operating expenses (including custodian fee, registrar fee, expenses on statements, sales and advertising). The Securities and Exchange Board of India has capped expense ratios at 2.5 per cent for equity funds, 2.25 per cent for bond funds and 1.5 per cent for index funds. Any expense over and above this cap can't be charged to the fund and has to be borne by the asset management company. This unique regulation has ensured that expense ratios don't cross the ceiling. Yet, while competition should ideally drive down the charges, the ceiling has, unfortunately, kept expenses at their maximum. In debt funds, however, competition has brought down expenses from 1-1.5 per cent two years ago to just 0.50-0.60 per cent today. We have listed these fund in the descending order of their expense ratios because the other costs-entry and exit loads vary, depending on the time and size of entry and exit. This list carries the 50 mos expensive and the 50 least expensive funds (visit www.businessworld.in for the full list). Most index funds and fund-of-funds (or diversified) fall in the least expensive list because their investment strategies are the least complicated, given their mandate. Index funds invest only in index stocks--in the ratio of the stock's weightage i the index.India, however, is yet to see the phenomenon of mutual funds launching no load schemes that are highly popular in most developed countries. Sebi made a start thi January by asking funds to not charge entry loads from retail investors who wish to deal with them directly. Besides, funds do not charge any entry loads when investors have a corpus of Rs 5 crore or more.

Most Expensive Equity Funds

Rank	Fund name	Score	Expense ratio (%)	Entry load (%)*	Exit load (%)*
1	Birla Sun Life LT Advantage I	ED	4.35	NA	#
2	Birla Long Term Advantage	ED	3.35	NA	#
3	HSBC Unique Opportunities	ED	3.26	NA	#
4	HSBC Advantage India	ED	2.76	2.25	1
5	Birla India Opportunities	ED	2.50	2.25	0.5
5	Birla Sun Life Buy India	ED	2.50	2.25	0.5
5	DBS Chola Growth	ED	2.50	2.25	0.5-1
5	DBS Chola Hedged Equity	ED	2.50	2.5	0.5-1
5	DBS Chola Opportunities	ED	2.50	2.25	0.5-1
5	DWS Alpha Equity	ED	2.50	2.25	0.5-1
5	DWS Tax Saving	ET	2.50	2.25	0
5	Escorts Growth	ED	2.50	0.0225	0
5	Escorts High Yield Equity	ED	2.50	0.025	1
5	Escorts Infrastructure Fund	ED	2.50	NA	#
5	Escorts Tax Plan	ET	2.50	0.0225	0
5	Franklin FMCG	EF	2.50	2.25	0.5-1
5	Franklin India Taxshield 98	ET	2.50	0	0
5	Franklin Pharma	EP	2.50	2.25	0.5-1
5	ICICI Pru FMCG	EF	2.50	2.25	0
5	ING A.T.M.	ED	2.50	2.25	0.5-1
5	ING C.U.B.	ED	2.50	NA	#
5	ING Dividend Yield	ED	2.50	2.25	0.5-1
5	ING Domestic Opportunities	ED	2.50	2.25	0.5-1
5	ING L.I.O.N	ED	2.50	2.25	0.5-1
5	ING Midcap	ED	2.50	2.25	0.5-1
5	ING Nifty Plus	ED	2.50	2.25	0.5-1
5	ING Select Stocks	ED	2.50	2.25	0.5-1
5	ING Tax Savings	ET	2.50	2.25	0.5-1
5	JM Auto Sector	EA	2.50	2.25	0.5-1
5	JM Equity	ED	2.50	2.25	0.5
5	JM Healthcare Sector	EP	2.50	2.25	0.5
5	Kotak MNC	ED	2.50	2.25	0.5-
5	LICMF Growth	ED	2.50	2.25	(
5	LICMF India Vision	ED	2.50	NA	(
5	LICMF Opportunities	ED	2.50	2.25	(
5	LICMF Sensex Advantage	ED	2.50	0	0.5
5	LICMF Tax Plan	ET	2.50	0.0225	(
5	Magnum FMCG	EF	2.50	2.25	1
5	Magnum Pharma	EP	2.50	2.25	1
5	Principal Personal Tax Saver	ET	2.50	0.0225	(
5	Tata Life Sciences & Tech	ES	2.50	2.25	
5	UTI Auto Sector	EA	2.50	2.25	0.5-
5	UTI Banking Sector	EB	2.50	2.25	0.5-
5	UTI Pharma & Healthcare	EP	2.50	2.25	0.5-
45	ABN AMRO Dividend Yield	ED	2.49	2.25	
45	ABN AMRO Sustainable Dev.	ED	2.49	NA	(
45	Franklin India Taxshield 99	ET	2.49	0	(
45	LICMF Index Sensex	EI	2.49	0	0.5
45	Lotus India Tax Plan	ET	2.49	0.025	(
45	Quantum Long Term Equity	ED	2.49	0	1-

Data as of 31 January 2008; ^ Ranking based only on expense ratio; EA: Equity-Auto; EB: Equity-Banking; ED: Equity-Diversified; EF: Equity-FMCG; EI: Equity-Index; EP: Equity-Pharma; ES: Equity-Speciality; ET: Equity-Tax Planning; # The unamortised issue expenses at the time of redemption are charged as exit load; * For details, log on to www.businessworld.in

Source: Value Researc

Least Expensive Equity Funds

Rank	Fund name	Score	Expense ratio (%)	Entry load (%)*	Exit load (%)*
1	Birla Asset Allocation Agg.	ED	0.35	0.015	0
2	UTI Sunder	EI	0.44	0	0
3	Banking BeES	EI	0.50	0	0
3	Canara Robeco Nifty Index	EI	0.50	1	0
3	Nifty Benchmark ETS	EI	0.50	0	0
6	Kotak Global Emerging Mkt.	ES	0.61	NA	#
7	DSPML World Gold Fund	ES	0.68	2.25	1
8	ICICI Pru Advisor-Very Agg.	ED	0.70	0.0175	0
9	Optimix Equity M-Mngr. FoF	ED	0.72	NA	#
10	UTI Nifty Index	EI	0.74	0	1
11	DWS Gbl Thematic Offshore	ES	0.75	2.75	0.5
11	FT India Life Stage FoF 20s	ED	0.75	0.02	0
11	Kotak Equity FoF	ED	0.75	2.25	0.5-1
11	Optimix 5 Star M-Mngr. FoF	ED	0.75	1.5	1
11	Principal Index	EI	0.75	1	0.5
11	UTI Master Index	EI	0.75	0	1
17	ICICI Pru SPIcE	EI	0.80	0	0
18	Principal Glbl Opportunities	ES	0.86	2.5	0.5-1
19	BOB Diversified	ED	0.89	0.5-2.25	0
19	Canara Robeco Multicap	ED	0.89	NA	#
21	Baroda Global	ED	0.98	2.25	1
22	ICICI Pru Fusion Inst I	ED	0.99	0	0
22	Franklin India Index Sensex	EI	1.00	0	1
22	Franklin India Index Nifty	EI	1.00	0	1
22	ICICI Pru Discovery Inst I	ED	1.00	0	0
22	ICICI Pru Dynamic Inst I	ED	1.00	0	0
22	ICICI Pru Emerging STAR Ins I	ED	1.00	0	0
22	ICICI Pru Growth Inst I	ED	1.00	0	0
22	ICICI Pru Infra Inst I	ED	1.00	0	0
22	ICICI Pru Power Inst I	ED	1.00	2.25	0
22	Nifty Junior BeES	EI	1.00	0	0
32	Principal PNB L-T Equity 3Y II	ED	1.14	NA	#
33	Canara Robeco Eq. Tax Saver	ET	1.15	2.25	0
34	Canara Robeco Infra	ED	1.20	2.25	0
34	ICICI Pru Fusion S-II Inst	ED	1.20	NA	#
36	BoB Growth	ED	1.23	2.25	0
37	Canara Robeco Emerging Eq.	ED	1.25	2.25	0
37	Canara Robeco Equity Diver.	ED	1.25	2.25	0
37	Canara Robeco Expo	ED	1.25	2.25	0
37	DSPML Small & Mid Cap Inst	ED	1.25	0	0
37	ICICI Pru Index	EI	1.25	0.01	0
42	BoB ELSS 96	ET	1.30	0.025	0
43	DSPML T.I.G.E.R. Inst	ED	1.37	0	0
44	Morgan Stanley Growth	ED	1.40	NA	#
45	Magnum Index	EI	1.42	1.25	0
45	Reliance Index Nifty	EI	1.42	0.01	0
47	DSPML Top 100 Equity Inst	ED	1.44	0	0
48	Birla Index	EI	1.49	0	0
48	Sahara Wealth Plus FP	ED	1.49	2.25	1
50	Tata Index Sensex A	EI	1.50	0.01	0

Data as of 31 January 2008; ^ Ranking based only on expense ratio; EA: Equity-Auto; EB: Equity-Banking; ED: Equity-Diversified; EF: Equity-FMCG; EI: Equity-Index; EP: Equity-Pharma; ES: Equity-Speciality; ET: Equity-Tax Planning; # The unamortised issue expenses at the time of redemption are charged as exit load; * For details, log on to www.businessworld.in

Source: Value Research

Best Of Large And Mid-Cap Funds

MUTUAL FUNDS THAT INVEST MORE THAN HALF THEIR CORPUS in shares of companies accounting for the top 70 per cent of the total market capitalisation are categorised as large cap funds. Funds predominantly investing in mid cap companies are those that account for another 20 per cent of the overall market cap. Returns in mid cap funds are volatile, but fabulous. Yet, they carry the risk of short-term losses. Further, size of such funds matters. A high corpus is is a cause of concern because it is difficult to invest huge amounts in good mid caps without affecting the price.

Fund name	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV
Large Cap							
Kotak Opportunities	56.03	53.28	-23.78	-Avg	1.61	647.27	45.80
Magnum Contra	33.42	52.85	-42.69	-Avg	1.65	2,453.58	51.74
Tata Infrastructure	51.30	53.85	-26.24	-Avg	1.54	2,666.15	36.67
DSPML T.I.G.E.R. Reg	45.80	53.11	-24.09	-Avg	1.57	4,600.19	49.72
Mid Cap							
Magnum Multiplier Plus	34.3	52.43	-60.58	-Avg	1.64	1,115.27	74.13
Sundaram BNP Paribas Sel. Midcap	26.31	48.92	-16.75	Low	1.54	2,048.40	119.34
Magnum Global	21.54	52.83	-56.71	Avg	1.61	1,753.33	55.69
Reliance Growth	41.30	51.74	-44.99	Avg	1.57	5,696.39	390.86
Magnum Emerging Businesses	36.42	50.66	-29.49	+Avg	1.55	296.78	42.51

Data as on 31 January 2008

For methodology and definitions, go to page 34

Source: Value Research

Most Invested Companies

THERE ARE OVER 8,000 COMPANIES LISTED IN INDIA. BUT THE companies in the BSE 500 account for roughly 90 per cent of the total market capitalisation. No wonder, mutual fund houses have restricted their investment universe to barely 768 companies, as on 31 January this year. And even amongst these, a chunk of MF money has gone into companies that are part of the two indices, Sensex and the Nifty. However, it puts pressure on the fund managers to get their big bets right. Given that MF investment in companies ranges between 1 per cent and 29 per cent of their paid up capital, one would imagine that instititutional investors (including FIIs, banks and insurance firms) as a class exert considerable influence in the management and running of companies.

Do note that companies with a higher market cap are not necessarily more preferred by mutual funds.

1. Large Cap Stocks

Rank	Mcap rank*	Company	Value (Rs crore)	Fund count
1	1	Reliance Industries	7,335.25	200
2	8	ICICI Bank	5,444.87	189
3	11	Larsen & Toubro	3,906.59	162
4	7	State Bank of India	3,377.94	142
5	9	Reliance Communications	2,981.24	160
6	12	Bharat Heavy Electricals	2,920.87	151
7	30	Jai Prakash Associates	2,899.76	117
8	2	Oil & Natural Gas Corpn.	2,338.73	123
9	3	Bharti Airtel	2,168.97	135
10	25	Reliance Energy	2,162.66	95
11	43	Grasim Industries	2,029.58	114
12	39	Siemens	1,941.58	98
13	23	Tata Steel	1,861.78	130
14	16	Housing Development Finance Corpn.	1,747.55	88
15	31	Axis Bank	1,706.97	60
16	14	Infosys Technologies	1,588.41	111
17	17	ITC	1,514.58	121
18	46	Infrastructure Development Finance	1,441.64	76
19	40	Tata Power	1,419.25	74
20	24	Sterlite Industries (India)	1,401.42	114
21	32	Jindal Steel & Power	1,379.75	62
22	60	Aditya Birla Nuvo	1,311.01	83
23	49	Maruti Suzuki India	1,220.07	85
24	73	Bank Of Baroda	1,132.01	65
25	27	Suzlon Energy	1,100.29	64

2. Mid Cap Stocks

Rank	Mcap rank*	Company	Value (Rs crore)	Fund count
1	9	Crompton Greaves	1,869.26	81
2	7	Zee Entertainment Enterprises	1,346.64	70
3	3	Punj Lloyd	1,143.77	68
4	26	Divi's Laboratories	1,039.50	29
5	37	Welspun-Gujarat Stahl Rohren	957.91	41
6	46	United Phosphorus	834.61	41
7	47	Thermax	824.15	54
8	68	Sintex Industries	759.90	50
9	65	Nagarjuna Construction	740.00	41
10	11	Sesa Goa	721.62	60
11	106	Jindal Saw	695.16	30
12	28	Pantaloon Retail (India)	692.11	63
13	6	Bharat Electronics	678.09	46
14	48	Tata Chemicals	668.00	61
15	66	IVRCL Infrastructures & Projects	627.44	43
16	51	Cummins India	614.59	34
17	23	Union Bank of India	609.77	44
18	64	Gujarat Mineral Devp. Corpn.	607.40	23
19	81	Television Eighteen India	589.58	43
20	39	Century Textiles & Inds.	588.39	53
21	179	KEC International	587.43	33
22	61	India Infoline	573.21	41
23	90	Gammon India	546.70	28
24	79	Federal Bank	532.55	31
25	1	Nestle India	515.43	35

3. Small Cap Stocks

Rank	Mcap rank*	Company	Value (Rs crore)	Fund count
1	35	Bharati Shipyard	431.31	36
2	120	Emco	363.32	15
3	8	Elecon Engineering	334.08	28
4	23	Jyoti Structures	222.91	22
5	29	SKF India	219.17	15
6	144	Orient Paper & Inds.	215.11	10
7	78	Ipca Laboratories	211.98	14
8	21	Pfizer	208.45	20
9	17	Gujarat State Fertilizers & Chemicals	194.21	8
10	150	Trent	184.48	16
11	85	Balkrishna Industries	175.95	9
12	72	Kalyani Steels	165.63	20
13	4	Aventis Pharma	148.97	19
14	42	PSL	146.52	10
15	67	Voltamp Transformers	144.62	12
16	80	3i Infotech	140.72	26
17	103	Blue Dart Express	140.20	9
18	6	Kansai Nerolac Paints	134.67	11
19	43	Spicejet	129.47	16
20	123	CMC	125.62	8
21	130	Infotech Enterprises	122.37	19
22	86	Greaves Cotton	121.32	6
23	52	Indraprastha Gas	119.36	25
24	91	Balaji Telefilms	117.49	23
25	47	Bharat Bijlee	115.11	14

All data as on 31 January 2008; * Relative to all listed companies in that segment on the BSE

Source: Value Researc

Indiabulls

BRINGS

International Excellence in Luxury

TO DELHI

LOCATED NEXT TO THE HISTORICAL TUGLAQABAD FORT

SURROUNDED BY 500 ACRES OF GREENERY

PANORAMIC VIEW

Castlewood

LUXURY APARTMENTS

LIMITED EDITION

MULTI TIERED SECURITY

CONCIERGE SERVICE

SECURITY	CLUB HOUSE	HEALTH CLUB	OUTDOOR SPORTS	CONVENIENCES
Gated Community	Bar	Sauna, Aroma, Ayurveda	Tennis Court	ATM
CCTV	Card Room	Jacuzzi	Basketball Court	Super Market
3-tier Security	Billiards & Pool Room	Gymnasium	Badminton Courts	Shopping Centre
Emergency	Multi-purpose Hall	Dance & Aerobics Studio	Jogging Track	Pharmacy Store
Call Switch	Kids Zone with Creche	Women's Indoor	Swimming Pool	Car Wash
Video Phone	Mini Cineplex	Swimming Pool	with Baby Splash	Parking
Access Control	Conference Room			Creche

Indiabulls

REAL ESTATE

For Sales Queries, Contact:
Tanmoy: +91 9811266162, Akshay: +91 9811994881
Helpline: 0124 4308020 SMS "IBREAL" to 57575
Email: castlewood@indiabulls.com

ATTRACTIVE FINANCING OPTIONS AVAILABLE FROM LEADING BANKS/HOUSING FINANCE COMPANIES.

PICTURES DEPICTED ARE ARTISTIC IMPRESSIONS OF THE PROPOSED PROJECT.

Model Portfolios for Rs 10 lakh

Rank	Fund name	Launch date	Assets (Rs crore)	Amount invested (Rs)	1-yr return (%)	3-yr return (%)	Value of 3-yr investment (Rs)	3-yr SIP return (%)	Value of SIP investment (Rs)
Aggressive Portfolio									
60%	**Core Funds**								
1	Birla Sun Life Equity	Aug-98	1,380.77	1,00,000.00	35.89	47.25	1,47,245.76	43.43	1,43,434.68
2	DSPML Equity Fund	Apr-97	1,169.53	1,00,000.00	33.01	44.93	1,44,930.50	41.79	1,41,790.47
3	Franklin India Prima Plus	Sep-94	1,776.37	1,00,000.00	29.05	44.55	1,44,548.20	41.12	1,41,119.39
4	HDFC Equity	Dec-94	4,716.57	1,00,000.00	24.46	43.43	1,43,429.09	35.80	1,35,801.53
5	Reliance Vision	Oct-95	4,286.63	1,00,000.00	33.83	43.97	1,43,972.24	40.19	1,40,189.19
6	Tata Pure Equity	May-98	359.95	1,00,000.00	35.43	41.85	1,41,846.05	39.16	1,39,157.87
40%	**Non-core Funds**								
1	Kotak Opportunities	Aug-04	647.27	1,00,000.00	56.03	53.28	1,53,276.61	52.55	1,52,545.96
2	Magnum Contra	Jul-99	2,453.58	1,00,000.00	33.42	52.85	1,52,845.51	43.63	1,43,633.87
3	Reliance Growth	Oct-95	5,696.39	1,00,000.00	41.30	51.74	1,51,736.33	46.12	1,46,120.39
4	Sundaram BNP Paribas Sel. Midcap	Jul-02	2,048.40	1,00,000.00	26.31	48.92	1,48,916.45	41.50	1,41,501.42
		Total invested		**10,00,000.00**	**Total return**		**14,72,746.74**		**14,25,294.78**
Moderate Portfolio									
60%	**Diversified Equity Funds**								
	Birla Sun Life Equity	Aug-98	1,380.77	1,00,000.00	35.89	47.25	1,47,245.76	43.43	1,43,434.68
	DSPML Equity Fund	Apr-97	1,169.53	1,00,000.00	33.01	44.93	1,44,930.50	41.79	1,41,790.47
3	Franklin India Prima Plus	Sep-94	1,776.37	1,00,000.00	29.05	44.55	1,44,548.20	41.12	1,41,119.39
4	HDFC Equity	Dec-94	4,716.57	1,00,000.00	24.46	43.43	1,43,429.09	35.80	1,35,801.53
5	Reliance Vision	Oct-95	4,286.63	1,00,000.00	33.83	43.97	1,43,972.24	40.19	1,40,189.19
6	Tata Pure Equity	May-98	359.95	1,00,000.00	35.43	41.85	1,41,846.05	39.16	1,39,157.87
40%	**Balanced Funds**								
1	DSPML Balanced	May-99	512.08	1,00,000.00	28.29	31.78	1,31,784.59	31.25	1,31,245.92
2	HDFC Prudence	Jan-94	3,163.84	1,00,000.00	23.71	36.63	1,36,632.88	31.86	1,31,859.35
3	Kotak Balance	Nov-99	84.40	1,00,000.00	31.85	35.42	1,35,420.55	32.71	1,32,712.06
4	Tata Balanced	Oct-95	232.50	1,00,000.00	33.16	34.29	1,34,292.32	33.60	1,33,598.09
		Total invested		**10,00,000.00**	**Total return**		**14,04,102.17**		**13,70,908.56**
Conservative Portfolio									
40%	**Balanced Funds**								
	DSPML Balanced	May-99	512.08	1,00,000.00	28.29	31.78	1,31,784.59	31.25	1,31,245.92
	HDFC Prudence	Jan-94	3,163.84	1,00,000.00	23.71	36.63	1,36,632.88	31.86	1,31,859.35
3	Kotak Balance	Nov-99	84.40	1,00,000.00	31.85	35.42	1,35,420.55	32.71	1,32,712.06
4	Tata Balanced	Oct-95	232.50	1,00,000.00	33.16	34.29	1,34,292.32	33.60	1,33,598.09
60%	**Debt-oriented Hybrid Funds**								
1	DBS Chola MIP	Jul-03	4.20	1,00,000.00	21.85	12.14	1,12,140.35	16.92	1,16,920.36
2	HSBC MIP Savings	Feb-04	114.98	1,00,000.00	16.25	13.16	1,13,164.43	14.52	1,14,518.77
3	ICICI Prudential MIP	Oct-00	531.97	1,00,000.00	10.93	11.38	1,11,375.39	11.52	1,11,520.47
4	LICMF MIP	May-98	166.88	1,00,000.00	14.56	12.73	1,12,729.98	13.48	1,13,475.33
5	Principal MIP Plus	Dec-03	77.07	1,00,000.00	20.23	12.87	1,12,871.84	15.34	1,15,343.51
6	UTI MIS-Advantage Plan	Dec-03	115.09	1,00,000.00	13.17	14.23	1,14,230.09	14.27	1,14,269.20
		Total invested		**10,00,000.00**	**Total return**		**12,14,642.41**		**12,15,463.06**

Data as on 31 January 2007 For methodology and definitions, go to page 34 Source: Value Research

DSP MERRILL LYNCH

TAX SAVER FUND

- Tax benefit under Section 80(C)*
- Create wealth over the long term

www.dspmlmutualfund.com

*Deduction of upto Rs. 1,00,000/- from total income in a financial year

DSP Merrill Lynch
MUTUAL FUND

COMPOUNDED ANNUALISED RETURN AS ON JANUARY 31, 2008		
Period	**DSPML TAX SAVER FUND (GROWTH OPTION)**	**S&P CNX 500**
Last 1 year	50.00%	28.17%
Since Inception	51.57%	26.29%

The "Returns" shown above do not take into account the entry load. Hence, actual "Returns" would be lower. S&P CNX 500 index as of January 31, 2008 was 4,349.00 Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 18-Jan-07. NAV as on January 31, 2008 was Rs. 15.3830 (Growth Option). **Past performance may or may not be sustained in future and should not be used as abasis for comparison with other investments.**

DSP Merrill Lynch Tax Saver Fund (DSPMLTSF), which is benchmarked to S&P CNX 500 Index, is not sponsored, endorsed, sold or promoted by India Index Services & Products Ltd. (IISL). IISL is not responsible for any errors or omissions or the results obtained from the use of such index and in no event shall IISL have any liability to any party for any damages of whatsoever nature (including lost profits) resulted to such party due to purchase or sale or otherwise of such product benchmarked to such index. **Investment Objective:** It is an open ended equity linked savingsscheme, whose primary investment objective is to seek to generate medium to long-term capital appreciation from a diversified portfolio that is substantially constituted of equity and equity related securities of corporates, and to enable investors avail of a deduction from total income, as permitted under the Income Tax Act, 1961 from time to time. **Asset Allocation:** (1) Equity and equity related securities: 80% to 100%; Of (1), investments in ADRs, GDRs and foreign equity securities: 0% to 20%; (2) Debt, securitised debt and money market securities: 0% to 20% (Exposure to securitised debt will not exceed 10% of the net assets of the Scheme). **Investor Benefits & General services:** Declaration of NAV, sale (at Purchase Price) and redemption (at Redemption Price, subject to completion of a 3 year lock-in period from the Date of Allotment of Units) on all Business Days, with redemption payout normally within 3 Business Days. **Features:** Repurchase of Units only after completion of 3 year lock-in period. Minimum investment - Rs. 500/- and Rs 500/- thereafter. Options available: Growth, Dividend - Payout Dividend - Reinvest Dividend. Entry load: Regular Plan - For investments < Rs. 5.0 crore: 2.25%. For investments >= Rs 5.0 crore: Nil. **Statutory Details:** DSP Merrill Lynch Mutual Fund was set up as a Trust by thesettlors, DSP Merrill Lynch Ltd. (DSPML) and Merrill Lynch Investment Managers LP, USA. Sponsors: DSPML, DSP HMK Holdings Pvt. Ltd. and DSP ADIKO Holdings Pvt. Ltd. (collectively) (Liability restricted to Rs. 1 lakh). Trustee: DSP Merrill Lynch Trustee Company Pvt. Ltd. Investment Manager: DSP Merrill Lynch Fund Managers Ltd. **Risk Factors:** Mutual funds, like securities investments,are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Schemecan go up or down depending on the factors and forces affecting capital markets. Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return or dividend. DSP Merrill Lynch Tax Saver Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns. For risk factors related to trading in derivatives and overseas investments, and other scheme specific risk factors, please referthe Offer Document. **Please read the Offer Document and KIM (available at www.dspmlmutualfund.com/ISCs/distributors) carefully before investing.**

1694.2008

Best Fund Managers

by P. Vaidyanathan Iyer

EQUITY

No.1 Prashant Jain, 40, HDFC AMC

I believe in investing in good quality businesses. I use a mix of bottoms-up and top-down approach to identify the best companies to invest in.

Tenure in the company: 5 years

Performance: Average three-year return of 34.46 per cent over four mutual fund schemes. Total corpus handled: Rs 11,577 crore

Krishna Sanghvi, 34, Kotak MF — No.2

I prefer large cap and mid cap companies and invest for growth. I prefer companies with management capabilities.

Tenure in the company: 2 years

Performance: Manages 9 funds. Five of these existing for over 3 years have yielded 33.82 per cent. Total corpus handled: Rs 3,085 crore

No.3 M. Venugopal, 37, Tata AMC

I try to identify good companies ahead of others, spot trends and depend on in-house research. We have a mix of top-down and bottoms-up approach.

Tenure in the company: 13 years

Performance: Manages 16 funds with a corpus of Rs 7,507 crore. Eight of these with a 3-year history have delivered 37 per cent per annum

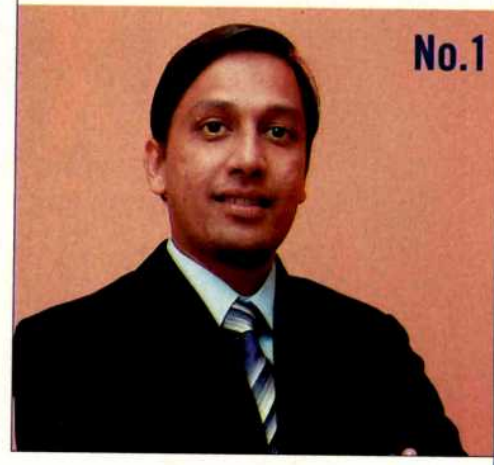
DEBT

Pankaj Tibrewal, 29, Principal PNB AMC

My investment reflects a blend of large, mid and small cap companies. There is no market cap restriction. The focus is fully on bottoms-up stock picking.

Tenure in the company: 5 years

Performance: Manages five funds with a corpus of Rs 873 crore. Average 3-year return: 25.57 per cent

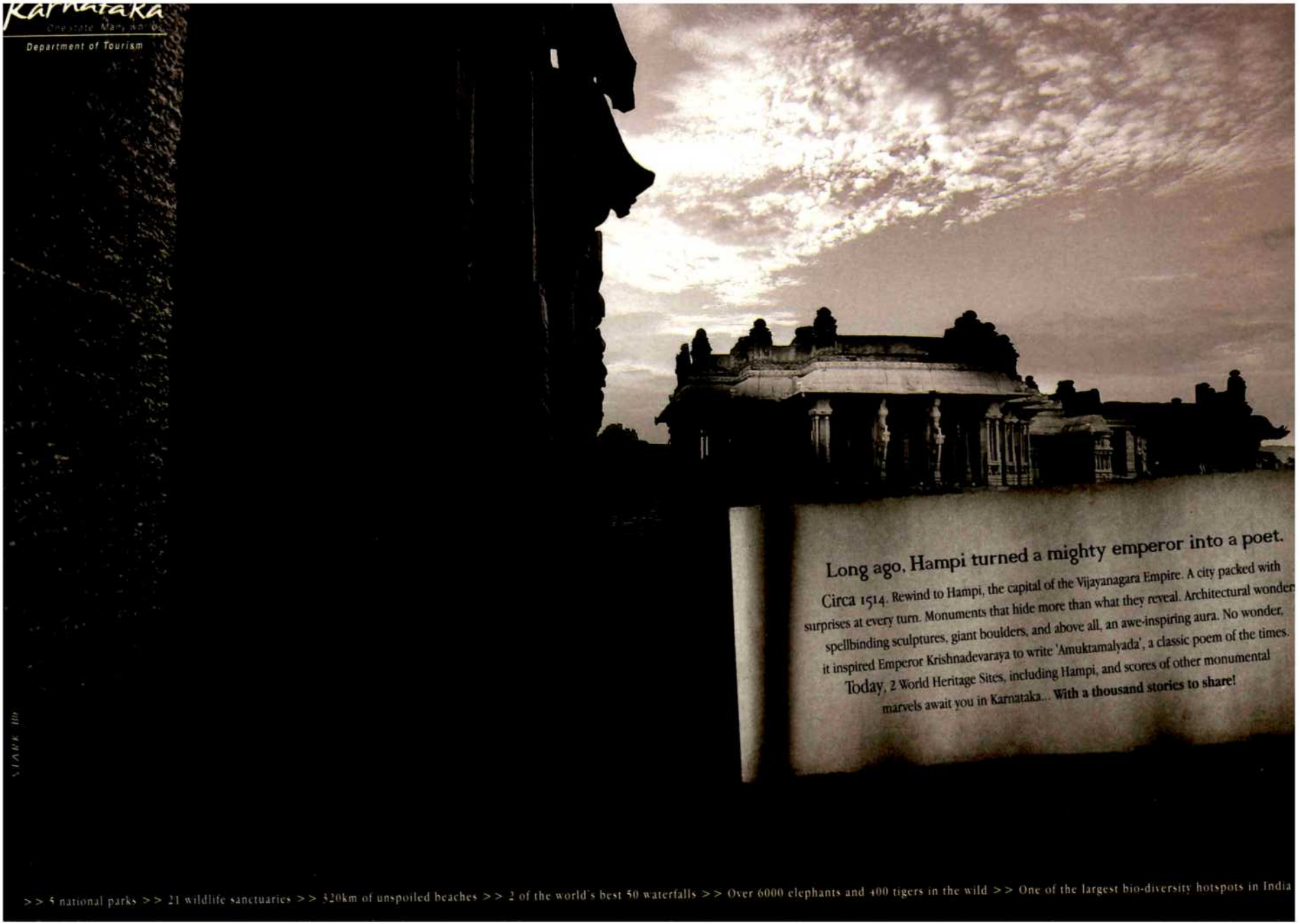


Satyabrata Mohanty, 35, Birla Sun Life AMC

My idea is to hunt for superior risk-adjusted returns. I follow a dynamic duration strategy. Depending on our view of the debt markets, asset allocation is decided between corporate bonds and government securities.

Tenure in the company: 8 years

Performance: Manages 20 funds with assets of Rs 16,952 crore. Has delivered an average 3-year return of 9.11 per cent.


Karnataka
Department of Tourism
Long ago, Hampi turned a mighty emperor into a poet.
Circa 1514. Rewind to Hampi, the capital of the Vijayanagara Empire. A city packed with surprises at every turn. Monuments that hide more than what they reveal. Architectural wonders spellbinding sculptures, giant boulders, and above all, an awe-inspiring aura. No wonder, it inspired Emperor Krishnadevaraya to write 'Amuktamalyada', a classic poem of the times.
Today, 2 World Heritage Sites, including Hampi, and scores of other monumental marvels await you in Karnataka... With a thousand stories to share!
>> 5 national parks >> 21 wildlife sanctuaries >> 320km of unspoiled beaches >> 2 of the world's best 50 waterfalls >> Over 6000 elephants and 400 tigers in the wild >> One of the largest bio-diversity hotspots in India

India's Worst

Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
1. Aggressive Equity Funds									
1	UTI Mid Cap	-10.0	13.35	28.65	-35.82	High	0.81	373.19	26.83
2	Kotak MNC	-6.2	9.34	24.06	-31.91	+Avg	0.84	34.36	29.86
3	UTI MNC	-5.9	6.09	21.67	-28.51	Avg	0.78	167.18	37.27
4	Birla MNC	-3.4	3.45	25.83	-27.17	-Avg	0.98	168.08	131.00
5	Franklin India Prima	-3.0	17.72	32.73	-31.95	High	1.07	1,358.79	254.65
6	UTI Services Sector	-1.0	21.50	34.99	-32.35	Avg	1.20	406.90	62.21
2. Balanced Funds									
1	BoB Balance	-10.0	32.45	28.92	-26.72	High	0.97	0.94	30.45
2	HDFC Children's Gift-Inv	-9.2	12.67	20.20	-21.56	Avg	0.95	143.02	28.35
2	LICMF ULIS	-9.2	22.63	26.54	-27.11	+Avg	1.06	69.75	10.71
4	LICMF Balance	-7.8	30.45	29.90	-25.04	High	1.04	29.64	59.97
5	HDFC Balanced	-7.1	18.56	23.86	-19.80	Avg	1.15	108.29	37.76
6	Principal Balanced	-6.0	27.10	27.59	-25.08	+Avg	1.16	251.01	28.33
6	UTI Balanced	-6.0	19.83	23.79	-19.43	Avg	1.10	1,143.84	67.45
8	Birla Balance	-5.9	14.09	22.55	-27.76	-Avg	1.08	111.54	32.15
9	ING Balanced	-3.7	25.61	27.33	-28.64	Avg	1.19	7.62	23.35
10	Escorts Balanced	-3.6	31.97	34.51	-23.30	High	1.27	4.93	63.73
11	JM Balanced	-3.2	20.47	30.80	-22.50	+Avg	1.25	83.13	28.44
12	ICICI Prudential Balanced	-2.8	15.83	29.46	-30.01	+Avg	1.29	406.11	41.27
13	Sundaram BNP Paribas Balanced	-2.7	25.45	27.03	-21.69	-Avg	1.23	46.04	41.20
14	FT India Life Stage FoF 30s	-2.5	17.20	21.75	-13.05	Low	1.37	11.99	21.85
15	FT India Balanced	-1.0	25.07	31.05	-22.00	Avg	1.42	323.00	41.91
3. Short-term Debt Funds									
1	Reliance Liquid Cash	-10.0	5.65	5.54	0.03	High	1.53	98.18	13.67
2	HDFC Cash Mgmt Call	-4.8	7.25	6.23	0.05	High	5.58	39.32	13.69
3	Escorts Liquid	-3.9	8.65	n.a.	0.33	High	6.56	5.04	11.71
4	ABN AMRO Cash Reg	-3.8	6.20	5.73	0.29	High	5.71	359.08	12.03
5	DSPML Liquidity	-2.4	6.71	6.32	0.29	+Avg	9.52	682.30	19.32
6	Grindlays Cash	-2.3	6.23	5.80	0.31	+Avg	7.34	125.28	14.48
7	JM High Liquidity	-1.7	7.46	6.27	0.33	+Avg	10.09	2,668.62	21.84
7	Templeton India Liquid Plus	-1.7	6.55	5.63	0.29	+Avg	7.28	645.29	14.36
9	Sundaram BNP Paribas Money	-1.6	7.46	6.42	0.36	+Avg	10.95	775.58	16.68
10	ICICI Prudential Sweep Cash	-1.5	7.91	n.a.	0.39	+Avg	10.29	N.A.	11.48

Mutual Funds

Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
11	UTI Money Market Mutual Fund	-1.5	7.65	6.67	0.31	+Avg	9.77	66.19	22.37
	ICICI Prudential Sweep Plan	-1.3	7.92	6.32	0.24	+Avg	7.85	67.30	13.56
13	UTI Liquid Cash Regular	-1.2	7.61	6.58	0.34	+Avg	13.04	10,099.61	1,303.26
	BoB Liquid	-1.1	6.92	6.27	0.28	Avg	11.25	21.18	14.16
	Quantum Liquid	-1.0	7.88	n.a.	0.38	Avg	7.22	13.34	11.37
4. Debt-oriented Hybrid Funds									
1	BoB Children Study	-10.0	-2.25	-0.84	-6.45	+Avg	-2.48	0.01	9.84
2	BoB Children Gift	-6.0	0.46	1.68	-5.04	-Avg	-0.70	0.02	10.63
3	BoB MIP	-3.8	1.94	4.88	-4.59	Low	-0.31	0.05	11.96
4	Reliance MIP	-2.5	4.56	11.43	-5.35	+Avg	0.98	286.02	14.58
5	UTI CCP Balanced	-2.0	11.53	15.14	-10.39	High	1.03	2,702.16	15.30
6	MMIP Floater	-1.9	5.32	n.a.	-4.02	-Avg	0.76	13.98	11.40
6	Escorts Opportunities	-1.9	22.85	18.03	-20.49	High	0.85	119.82	31.58
8	Magnum Children's Benefit Plan	-1.5	7.15	9.90	-4.97	Avg	1.01	20.35	18.28
9	Magnum Income Plus Inv	-1.4	6.57	9.18	-4.96	Avg	0.95	6.03	13.90
	Magnum MIP	-1.4	7.31	8.46	-3.30	-Avg	0.93	88.17	17.95
9	Sundaram BNP Paribas VP 3-Y P 1110	-1.4	14.38	n.a.	-11.95	High	N.A.	3.60	12.64
9	JM MIP	-1.4	8.72	9.49	-4.58	Avg	1.04	13.76	14.44
	HDFC MIP Short-term	-1.4	6.77	8.13	-4.90	Avg	0.97	135.30	13.86
	Sundaram BNP Paribas MIP	-1.3	7.91	9.03	-4.44	Avg	1.04	24.61	13.80
	Tata MIP Plus	-1.0	11.44	8.69	-6.41	+Avg	1.22	45.15	13.35
5. Diversified Equity Funds									
1	Canara Robeco Expo	-10.0	3.37	22.60	-32.52	High	0.76	28.05	56.44
2	Principal Dividend Yield	-9.1	22.48	21.07	-29.69	+Avg	0.71	127.19	19.45
3	LICMF Growth	-8.6	9.95	24.30	-33.01	High	0.80	77.95	12.15
4	UTI Master Value	-8.1	27.61	26.40	-30.54	High	0.85	493.33	38.68
5	LICMF Equity	-7.3	27.56	29.63	-34.53	High	0.90	107.42	28.30
6	Birla Dividend Yield Plus	-7.1	19.94	23.45	-28.85	+Avg	0.80	289.77	51.92
7	Taurus Discovery Stock	-6.0	54.61	41.89	-40.76	High	1.08	49.07	25.85
	Birla India Opportunities	-6.0	-4.12	23.63	-26.38	Avg	0.88	69.78	51.96
9	Tata Dividend Yield	-4.3	31.16	29.11	-30.26	Avg	0.97	138.13	23.45
10	ICICI Prudential Discovery	-4.1	12.15	33.99	-32.97	+Avg	1.05	486.29	30.65
11	Principal Growth	-3.7	26.33	34.22	-32.06	+Avg	1.12	318.45	65.02
	Canara Robeco Equity Diversified	-3.6	33.31	36.13	-33.74	High	1.11	102.85	41.70

Data as of 31 January 2008 n.a. - Not applicable N.A. Not available For methodology and definitions, go to page 34 Source: Value Research

India's Worst Mutual Funds

Rank	Fund name	Score	1-yr return (%)	3-yr return (%)	Worst 3-month return (%)	Risk grade	Sharpe ratio	Fund size (Rs crore)	NAV (Rs)
13	UTI Equity	-3.4	24.16	30.85	-28.74	Avg	1.10	1,805.83	41.42
14	Kotak Global India	-3.1	12.86	31.54	-30.08	Avg	1.14	98.49	30.74
15	UTI Master Growth	-3.0	29.11	32.84	-31.08	Avg	1.11	414.89	58.06
16	Templeton India Growth	-2.8	27.77	34.11	-30.74	Avg	1.14	335.01	88.04
17	UTI Mastershare	-2.7	35.49	32.91	-28.20	Avg	1.11	2,290.23	47.76
18	ING Nifty Plus	-2.2	22.70	33.44	-25.47	Avg	1.18	10.90	25.78
18	Tata Growth	-2.2	34.74	37.29	-34.44	+Avg	1.22	106.49	44.24
20	LICMF Sensex Advantage	-2.1	17.33	29.93	-29.20	Low	1.16	5.81	33.76
20	DBS Chola Growth	-2.1	22.63	34.57	-24.66	Avg	1.16	28.98	39.67
22	Sahara Mid-Cap Fund	-2.0	42.17	37.34	-31.73	+Avg	1.21	11.20	26.23
23	Escorts Growth	-1.9	42.99	42.47	-28.96	High	1.31	5.65	81.38
24	Canara Robeco Fortune 94	-1.7	24.13	31.22	-26.49	Low	1.16	77.46	40.74
25	Principal Resurgent India Equity	-1.6	28.66	35.37	-29.60	Avg	1.24	302.73	96.39
25	HDFC Capital Builder	-1.6	37.09	36.50	-33.87	Avg	1.22	750.63	88.37
27	JM Equity	-1.4	15.65	37.17	-30.46	Avg	1.21	92.27	45.50
28	HSBC India Opportunities	-1.2	25.72	40.59	-33.17	+Avg	1.27	658.31	36.89
28	UTI Index Select Equity	-1.2	23.18	35.46	-24.99	Avg	1.23	368.60	43.05
30	ABN AMRO Equity	-1.0	34.63	42.25	-31.60	+Avg	1.27	209.67	36.70

6. Debt Funds

1	Magnum Income Plus Sav	-10.0	0.82	1.72	-1.92	Avg	-5.74	1.74	10.65
2	DBS Chola Triple Ace	-8.8	2.07	2.45	-4.42	+Avg	-1.30	7.74	24.44
3	JM G-Sec PF Plus	-8.7	1.85	3.49	-1.63	+Avg	-0.85	7.33	11.26
4	Magnum NRI Inv LT Bond	-6.6	2.59	2.69	-1.60	Avg	-2.11	2.08	10.95
5	Sundaram BNP Paribas SD Dynamic	-6.0	2.19	3.02	-4.84	Avg	-8.49	0.21	13.26
6	Taurus Libra Gilt	-4.6	3.69	0.58	-4.09	Avg	-4.10	0.29	13.28
7	JM G-Sec PF Plan	-4.4	4.30	4.24	-5.06	Avg	-0.17	2.09	23.01
8	JM G-Sec Regular Plan	-3.8	4.68	4.13	-6.92	Avg	-0.16	3.22	22.08
9	Reliance Regular Savings Debt	-3.7	3.74	n.a.	0.03	-Avg	-12.29	1.34	10.92
10	BoB Gilt	-3.6	3.77	4.56	-4.60	Avg	-0.44	0.07	11.67
11	DWS Premier Bond Regular	-2.3	6.39	5.38	-1.75	High	0.82	35.20	12.98
12	Birla Sun Life GSF Long-term	-2.2	3.21	4.42	-4.38	Avg	0.04	1.13	20.67
13	DSPML GSF Longer Duration	-1.5	8.91	6.43	-6.24	High	1.06	39.50	25.20
14	BoB Income	-1.4	4.71	4.06	-1.29	-Avg	-0.86	0.45	13.18
15	Reliance NRI Income	-1.0	3.31	4.76	-0.03	-Avg	-1.14	0.51	11.61

Data as of 31 January 2008 n.a. - not applicable N.A. Not available For methodology and definitions, go to page 34 Source: Value Research

Looking for some

Doosra

income?

Sundaram BNP Paribas
TAX SAVER

LIPPER
Global
Top 120 Fund

Tax Saver – Dividend History

%	Rs. Per Unit	Record Date	NAV as on Record Date
50	5.0	26/03/2004	15.99
50	5.0	28/01/2005	18.14
30	3.0	30/09/2005	18.21
30	3.0	03/03/2006	19.63
15	1.5	25/08/2006	15.97
25	2.5	08/12/2006	17.51
20	2.0	23/03/2007	14.48
30	3.0	28/12/2007	20.91

ast performance may or may not be sustained in future. After ayment of dividend the NAV will fall to the extent of payout.

250% dividend paid-out since 2004!

The nice thing about the Tax Saver fund is that it gives you a 'Doosra' income!

When you invest in the fund the government first gives you an 'income' in the form of tax-saving. This can be as high as 30% if you're in the highest tax bracket. So if you invest Rs.1,00,000, the maximum allowable for tax deduction, you straight away get Rs.30,000 in tax savings.

Then there is the 'Doosra' income in the form of tax-free dividends. With a fund like Sundaram BNP Paribas Tax Saver this 'Doosra' income over the last 3 years is much more than double the investment! Investors have earned 250% in dividends since 2004, as the table shows, making this a very attractive tax-saving investment. (Past performance may or may not be sustained in future)

Take advantage of Sundaram BNP Paribas Tax Saver and pave the way for your 'Doosra' income.

each us at :
ll-free no. (BSNL & MTNL only): 1800-425-1000 All Service Providers: 044-28578700
nail: service@sundarambnpparibas.in www.sundarambnpparibas.in

MS: 'INVEST' to 56070

SUNDARAM BNP PARIBAS MUTUAL
UNEARTHING OPPORTUNITIES

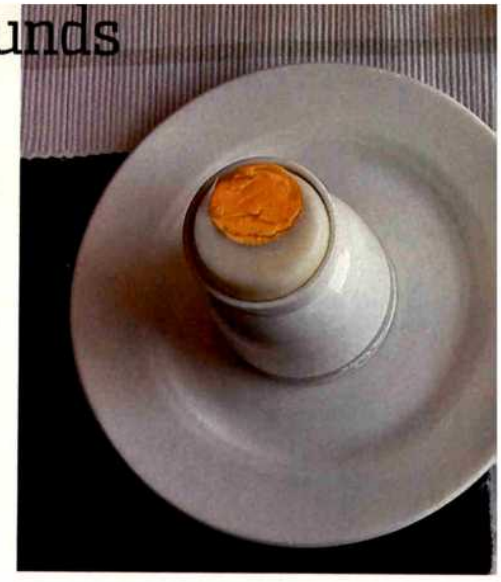
er License Disclaimer : Eight funds of Sundaram BNP Paribas Asset Management have featured in the World's 120 top performing equity funds as per a customised report provided by global fund ligence agency Lipper, a Reuters Company. The customised report, highlighting the 120 top performing equity funds in the world during the year 2007, is based on the study of all funds under the equity asset s tracked by Lipper, and have a minimum track record of at least one year as of December 2007 end. In total 24,887 equity funds (primary) qualified for the study. All returns are denominated in INR for the od ending on 31st December 2007. Data source: Lipper, a Reuters Company(www.lipperweb.com)

d Name: Sundaram BNP Paribas Tax Saver. **Fund Type:** Open-ended Equity Linked Savings Scheme. **Fund Objective:** The investment objective is to primarily achieve capital appreciation by investing lominantly in equities and equity related instruments. Income generation would be the secondary consideration. Units would be available for sale on all working days and redemption (after a lock in period of 3 's from the date of each allotment of units, at the applicable NAV subject to prevailing loads. **Load Structure**: Entry Load: For applications < Rs.2 Cr: 2.25% For applications = or > Rs. 2 Cr.: Nil Exit Load: Nil. **Factors:** Mutual Funds and all securities investments are subject to market risk and there is no assurance or guarantee that the Fund's objectives will be achieved. As with any investment in securities, the 's of the units issued under the scheme can go up or down depending upon the factors and forces affecting the capital market. Past Performance of the Sponsor / Mutual Fund does not guarantee the future ormance of the schemes of the Mutual Fund. Sundaram BNP Paribas Tax Saver is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or its rns. The NAV of the scheme may be affected by settlement periods and transfer procedures. Trading volumes may restrict the liquidity of the scheme's investments. The investment in Mutual Funds is prone sks of fluctuation in NAVs, uncertainty of dividend distribution. The Scheme is not offering any guaranteed or assured returns. **Statutory Details:** Sundaram BNP Paribas Mutual Fund, has been set up as a t under the Indian Trust Act, 1882. Sponsors: Sundaram Finance Ltd and BNP Paribas Asset Management Trustee: Sundaram BNP Paribas Trustee Company Ltd. Investment Manager: Sundaram BNP bas Asset Management Company Ltd. The sponsors are not responsible or liable for any loss resulting from the operation of the schemes beyond the contribution of an amount of Rs.1 Lakh made by them ards setting up the Mutual Fund. **Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Please consult your tax/investment advisor ore making an investment decision.**

Fidelis-SM-2140

cost of funds

Eating Into Your Cash...



by Vishal Krishna

...are costs besides entry and exit loads. Brush up your math

THE MIDDLE-CLASS INDIAN INVESTOR WHO PLAYS hot tips for a quick buck at the bourses is the stuff of legends. The middle-class Indian investor who runs out of luck and loses not only his money but his peace of mind too is somewhat less famous by choice. Mutual funds, on the other hand, sell us middling miracles. Don't even bother to try and make sense of the stock-markets. There are fund managers to do that for you. It's a tantalising and not empty promise, and apparently gratuitous. But, let's not forget, expenses are chargeable. An alert look at the expense ratio of mutual fund schemes suggests the funds extract more than their pound of flesh for the expertise they are providing.

Indeed, the total expense ratio (TER) and management costs of equity funds in India are the highest in the world. In the United States, an expense ratio of over 1 per cent is scoffed at by analysts. In India, most mutual funds have an expense ratio of 2.5 per cent, a ceiling fixed by the market regulator, Securities and Exchange Board of India (Sebi). The average management cost here is 1.75 per cent.

Most expensive equity funds

The expense ratio and management costs are the highest in India where...

Scheme	Type	Category	Expense ratio (%)
Birla Sun Life LT Advantage I	Closed-end	Equity: Diversified	4.35
Birla Long Term Advantage	Closed-end	Equity: Diversified	3.35
HSBC Unique Opportunities	Closed-end	Equity: Diversified	3.26

Charges over the regulatory ceiling of 2.5% have to be paid by the asset management company

Source: Value Research

Least expensive equity funds

...the average total expense ratio stands at 2 per cent.

Scheme	Type	Category	Expense ratio (%)
Birla Asset Allocation Aggressive	Open-ended	Equity: Diversified	0.35
UTI Sunder	Open-ended	Equity: Diversified	0.44
Banking BeES	Open-ended	Equity: Index	0.50
Canara Robeco Nifty Index	Open-ended	Equity: Index	0.50
Nifty Benchmark ETS	Open-ended	Equity: Index	0.50

Index funds and fund-of-funds require little management expertise, hence charges are low

Source: Value Research

Closely trailing India are Italy, Sweden an Switzerland. Some analysts say the TER in In dia is healthy. "India is on an upward trend an returns are much higher when compared wit the expense ratio of funds in developed mar kets," says Amit Nigam, a fund manager at ABN AMRO Asset Management, in Mumbai.

But if an investor chooses to exit from a fun within one year, he can end up paying anythin up to 8-9 per cent of his investment to the asse management company — 2.25 per cent by wa of entry cost, 3-4 per cent as exit load and 2-2.5 per cent as fund management charge. Depend ing on the level of equity exposure, these cost could be higher.

The Hidden Price-Tag

It is a range of costs that demand the investor' attention. "The regulator (Sebi) has done in vestors a favour by reducing the amortisatio costs for close-ended funds and treat their ex penses on a par with open-ended funds, whic have costs loaded up front," says Krishnar Sitaram, head of fund services and fixed income research at Crisil, a Mumbai-based credit rating agency. Before January 2008, when Sebi sent a circular asking fund houses to reduce costs or close ended funds, these funds were not close-ended in the classic sense. But distributors could make up to 5 per cent from the fund in three years when investors pulled out early. Most closed ended funds amortised their initial expenses (which could be up to 6 per cent of the amount raised in a new fund offer) over three to five years. Now, they have to dip into their management fees for initial expenses, which includes commission paid to distributors, and the costs of advertising.

Sitaram explains that this was good news for the investor as expenses paid to the distributing agency were cut. More importantly, companies could focus on selling older funds instead of

PHOTOGRAPH: AMIT VERMA; LOCATION: INTERCONTINENTAL THE GRAND

THEIR POUND OF FLESH: The funds slice off your returns for the investment expertise they provide

floating new ones every quarter. As many as 95 per cent of mutual fund investors go through the agency route to buy mutual funds. This does not, however, free the investor to neglect costs.

"Usually, debt funds have the lowest cost, ranging between 0.50-0.25 per cent, and no exit fee. On high-exposure funds, most of the costs are spent on third-party distribution," says Murthy Nagarajan, the head of fixed income funds at Mirae Asset Global Investment Management, in Mumbai. He says that funds would now have to look for profits through corporate investments, which generally enter with large funds. Ever since Sebi passed its new rules absolving customers of charges, higher brokerage fees have to be absorbed by the asset management company itself.

But costs can only be created, not destroyed. The distributor earns a trailer fee of 1.5-2.5 per cent every year for retaining the customer. This is passed on to the customer as fund management charges. Book-keeping and legal expenses also slip in surreptitiously.

But Why So High?

Industry experts attribute the high costs to the large number of schemes — at over 1,130. Most of them are managed by the top 10 fund houses in India, according to OptiMix, an investment solutions firm. "There should be an increase in the household savings market, which should participate more in the mutual fund industry," says Mugunthan Silva, chief investment officer of OptiMix, in Mumbai. Only 3 per cent of Indian household savings ($8 billion; Rs 32,000 crore) are invested in mutual funds, he says.

Ninety per cent of Australia's 21 million population, on the other hand, invests in mutual funds. That's a massive $1-trillion market. Though management expenses are higher, by up to 7-8 per cent, the returns are higher still because of the sheer size of the market, say fund managers. Also, there are less than 500 schemes in the market, and they are managed by around 70-80 fund houses in that country.

Analysts from Crisil explain that the number of new funds released in India raises distribution expenses. "The investor will be better off without the 5 per cent distribution charge, which a number of open-ended new fund offers (NFOs) are charging," says Sitaraman of Crisil. He says that distribution charges in the US are less than 5 per cent.

Analysts note that investors who have stayed on for longer periods in an open ended fund lose out to new investors who have bought units in the second year. This passes the higher management charge to the existing customer and, therefore, reduces his NAV. But, "This is not the right way to look at cost structures," says Sandeep Das Gupta, chief executive officer of Bharati Axa Investment Management Company, in Mumbai. "This does not affect the NAV of a customer who hangs in for a longer term. In fact, his corpus and return would have grown."

Much Wants More

According to Crisil, 30 fund houses in India are together tapping only about 4 per cent of the incremental household savings market annually. The top five asset management companies in India account for 52 per cent of the Indian mutual funds market. And the Indian mutual funds industry forms only 0.37 per cent of the globally managed funds in the industry, which are pegged at $23 trillion (Rs 92 lakh crore). The main reason for this lopsided development is a lack of geographical penetration: a substantial portion of the assets under management (AUM) come from the larger cities.

Even so, Indian mutual funds have beaten every benchmark index in the country. AUMs went up by 63 per cent in January 2008, even though the market cap of the BSE Sensex grew by a relatively small 34 per cent. "The mutual fund market is maturing and as more money comes in, the costs should reduce too," says Gupta of Bharati Axa.

Similarly, as costs go down, sector-wise comparison of mutual funds on benchmark indices will be possible. India has only five exchange-traded funds (ETFs). ETFs are funds that are traded like stock on an index.

The Indian industry needs to draw a clear line between penetration and distribution charges. But neither seems to have much meaning at the moment, given the ambiguous cost structures and an unaware Indian investor. Did someone say ignorance is expensive bliss?

vishal.krishna@abp.in

All Eggs In One Basket

by Puja Mehra

ILLUSTRATION: ANTHONY LAWRENCE

PRECARIOUS NEST EGG: Sector funds need constant monitoring for determining the right time of entry and exit

SECTORAL FUNDS HAVE SELDOM GIVEN RETURNS higher than the Indian stockmarket. These funds are not known to outperform the blue-chips belonging to the sector they focus on. The indices designed by stock exchanges to track sectors such as the Bombay Stock Exchange's BSE Pharma or BSE Bankex too comfortably beat returns from sectoral funds that invest in the stocks belonging to the same industries.

According to data on the performance of mutual funds and the sectoral indices sourced from Value Research for the last three years, the two auto funds — from JM and UTI — on offer, for instance, have not quite outperformed the BSE Auto index or the broader market spectacularly. While, JM Auto Fund has yielded returns of 20 per cent over the last three years, the UTI Auto Fund has barely given gains of 9 per cent to its investors. In sharp comparison, the BSE Auto Index grew 20 per cent during the same period. The Sensex, on the other hand, climbed almost 40 per cent in the last three years.

Sector funds do not reduce risk or beat index returns

The story remains the same in the case of bank funds. The BSE Bankex rose 43 per cent in the last three years. The only two bank funds available in the mutual fund market — Reliance Banking and UTI Banking Sector — have under performed the BSE Bankex. While Reliance Banking grew by 38 per cent, UTI banking Sector fared only marginally better with gains of 40 per cent. The mutual fund schemes bui around the pharmaceuticals sector too hav failed to outdo either the broad market or th Bombay Stock Exchange's index for the pha maceuticals sector over the last three years.

"Fund houses launch thematic funds only t garner new money because beyond a point ir vestors normally do not invest in existin schemes in a big way," says Surya Bhatia, princ pal consultant at financial advising firm Asse Managers. Thus, in keeping with the recer surge in construction and infrastructure deve opment in the country, a bunch of infrastruc ture funds have been launched. Similarl power, retail and media and entertainmer have been the hot sectors for some time and t cash in on the hype around these themes, fun houses have launched funds focused on them.

There are very few funds that have manage to buck the trend. ICICI Prudential FMC Fund stands out as a rare, hard-to-fin exception, the returns from which not only bea the market but also the Bombay Stock Ex change's index tracking the fast moving con sumer goods stock over the last three years While the BSE FMCG Index climbed only 2 per cent, the fund rose over 41 per cent over th same period. Rival funds — Franklin FMC and Magnum FMCG — posted returns of barel 26 per cent and 15 per cent, respectively.

The information and technology sector fund are the only set that have beaten both the Sen sex and the BSE IT Index over the last five years This is not really hard to explain given that th Indian stockmarket has all along been rathe fond of tech stocks, barring a few short interval of indifference or rejection.

Aside from the tendency of sectoral funds t underperform, investment in them makes littl sense for two other reasons. One, their narrov investment objective raises the risk they carry They, thus, defy the basic principle of mutua fund investment — of diversifing risk by no keeping all eggs in one basket. And two, witl sectoral funds investors must make no mistak in deciding when to enter and exit these funds which, again, is in direct contrast to the conven ience that mutual funds are supposed to offer. "I had invested in a bank sector fund but it has no impressed me. Since diversified mutual funds also invest in banks I have decided to stay away from sector-based funds," says 68 -year old pen sioner Kiran Singh Walia. Mutual funds must spread the risk rather than concentrating it The track record of sectoral funds in India pro vides little justification to overlook this tried and tested tip for investments.

puja.mehra@abp.in

www.paradeepphosphates.com

YOU NEED TO RISE ABOVE THE ORDINARY TO EARN ACCOLADES

Raising the bar is now a habit at PPL.

The thrill of crossing the ever-rising bar has resulted in one of the most successful turnaround stories.

Today we proudly own the second largest integrated phosphatic fertilizer plant in Asia. Our brand 'Navratna' has now a large footprint on Indian soil.

As we surge ahead, we strive to carry the farming community along with us through demonstrating package of scientific practices and imparting about training additional income generating schemes.

We are proud of what we have achieved in our mission – *serving farmers, saving farming.*

But we also realize in this mission, the bar has to be raised again and again. And in this realization, we find our motivation.

PPL

Paradeep Phosphates Limited

R K SWAMY BBDO PPL 1585 (R) 08

NDIT JAWAHARLAL NEHRU MARG, BHUBANESWAR-751001. PHONE: 0674 2393931, FAX: 0674 2391669

Why To Say No To NFOs

by Puja Mehra

OF THE 33 NEW FUNDS MORE THAN SIX BUT LESS than 12 months old on February 15, as many as 19 failed to beat either the stock market barometer, Sensex or the average category returns. For instance, while the average open ended equity diversified scheme yielded 17.79 per cent over the last six months, investments in the year-old Lotus India Contra have fetched less tha half those returns. Ditto for the Reliance Equit Opportunities Inst Fund. Fund houses could ar gue that investments in schemes — like an other equity-oriented saving instrument - should be judged over the long term. Yet, eve the six-month Sensex returns are about 2 per cent.

Even then, New Fund Offers (NFOs) are ex ceedingly popular. As per the Association c Mutual Funds of India, investors poured R 12,079 crore into NFOs in January. Mone parked with NFOs grew from Rs 61,092 crore i 212 schemes in 2005 to Rs 1,94,096 crore i 1,103 NFOs in 2007. The reason being, in vestors tend to draw parallels between ther and initial public offers (IPOs) for stocks.

The Rs 10 face value of NFOs is wrongly com pared with the net asset values (NAVs) of run ning schemes, which is typically higher than R 10. In a stock price, the book value (represent ing the stock's intrinsic worth) and the marke price (quoted on the stock exchange) can be dis tinct. So, a share with a book value of Rs 50 car trade at Rs 100 depending on the market's tak on it.

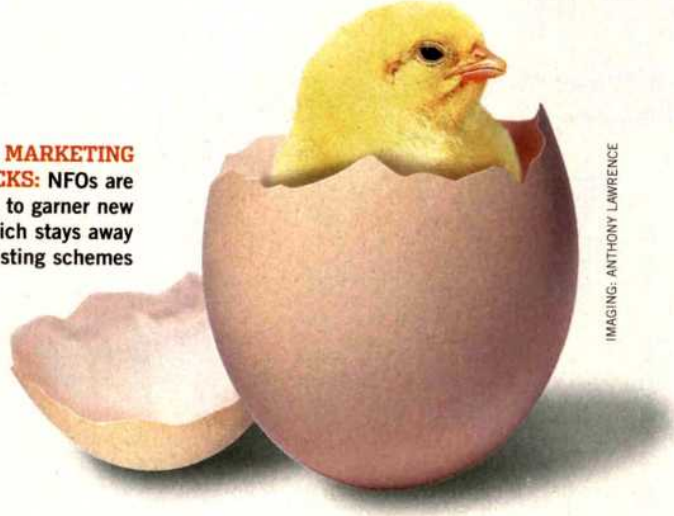
The NAV of a mutual fund (MF), however represents the total assets held by the scheme minus expenses, such as the costs of marketing and fund management. So a higher NAV is sim ply indicative of a higher asset value. But in vestors tend to go for NFOs with the misplaced belief that a Rs 10 investment cannot possibly "fall". Little do they realise the Rs 10 value in the case of an NFO is not the same as that for an eq uity share.

"NFO is not like an IPO that will give you in stant premium," says Surya Bhatia, principa consultant at investment adviser Asset Man agers. "I can't think of one reason why anyone should invest in NFOs as they offer no new themes or qualities that cannot be found in ex isting funds. The returns on investments in the same set of stocks will be just the same whether an existing scheme makes them or a new one."

Unlike an existing fund, which has a track record, "Investing in an NFO means betting on something that has no past record," says 28-year old graphic designer Preeti Mathur, who relies on MFs for her retirement savings.

Many NFOs, however, sell on reputation of the MF or the fund manager. An NFO can be a good idea if it adds a new, needed dimension — tax saving coupled with potential for returns and diversification, for instance — to a portfolio. Informed decisions and a big no to being led by the herd remain the golden rules as always.

puja.mehra@abp.in



IMAGING: ANTHONY LAWRENCE

MARKETING GIMMICKS: NFOs are launched to garner new money which stays away from existing schemes

Few NFOs outperform the market. Fewer add variety to a portfolio

'Eggless' Chicken

NFOs that out-and-underperformed their category

Name of fund	Issue close	6-month return
OPEN-END EQUITY: DIVERSIFIED		
1. DBS Chola Hedged Equity	Mar-07	34.24%
2. DSPML T.I.G.E.R. Inst	Apr-07	25.99%
CATEGORY AVERAGE		17.79%
3. Reliance Equity Opp. Inst.	Apr-07	8.94%
4. Lotus India Contra	Mar-07	8.21%
CLOSED-END EQUITY: DIVERSIFIED		
1. SBI Inf. Fund Series 1	Jun-07	25.20%
2. Principal PNB LT Equity 3Y 1	Feb-07	24.56%
CATEGORY AVERAGE		12.60%
3. Birla Sun Life LT Adv. 1	May-07	7.88%
4. DSPML Micro Cap Reg Fund	May-07	8.43%
6-month Sensex Return		20.76%

Source: Value Research

Our quality redefines perfection worldwide. Our customers endorse it.

Crompton Greaves is one of the single largest sources for a variety of electrical solutions. Strict adherence to QC measures puts us in a preferred bracket, not just for industries but also for utility companies worldwide. Irrespective of acquiring Pauwels, Ganz and Microsol, every product to leave our plant is a guarantee of perfection. No wonder, even our competitors source from us.

www.cglonline.com

70 YEARS
At home, across the world.

Crompton Greaves
EVERYDAY SOLUTIONS

Transformers . Switchgear . Power Quality . Motors & Alternators . Drives . Railway Signalling . Fans & Appliances . Lights . Pumps

AMC/CG/10-07/02

Do Away With Quotas

by krishnamurthy vijayan

WHEN I WAS ASKED TO WRITE ON WHETHER quotas for mutual funds in IPOs were adequate, the first thought that came to mind was, "No! Not enough at all." And then I paused, for I realised that I was falling into the same trap that other quota hunters before had fallen prey to: the shout for more without really assessing if the need was justified.

It might be worthwhile to consider what IPO quotas were intended for: to increase retail participation directly as well as via mutual funds, and to reduce the probability of FIIs dominating the issue with their financial muscle. Unlike Indian mutual funds, which usually don't bid for more than they can pick-up, FIIs do not have such restrictions.

A quota helps merchant bankers make an issue look good and creates an artificial appearance of demand

Also, most Indian funds are a fraction of their size. Retail investors applying in their individual capacity would stand no chance at all, in a quota free system.

However, quotas in IPOs, the ultimate celebration of capital market fund raising, seem ridiculous to me. Let's look at the parts, and then decide about the whole.

Quotas for retail investors in IPOs are li
asking for a quota for grandmothers in
bungee-jumping park. The retail investor wl
is not savvy should stick to funds; the other ki
does not need protection much less a quot
This quota helps merchant bankers make an i
sue look good and creates an artificial appea
ance of demand. I cannot see it benefiting tl
mom-and-pop savers in any way. So, to beg
with, quotas for retail should be eliminat
completely.

A natural query to this conclusion is then: (
fund managers need more quotas? To be able
answer that, we need to take a look at the w
most IPOs are priced. They owe more to tl
merchant banker's imagination and the abili
of his team to sell hard, than to any real meri
in the pricing.

A quota would make sense if the stock we
being made available cheap: i.e., at a substanti
discount to what it would go for in the marke
Generally, as we all know, IPOs are priced at
substantial premium to what they are real
worth: the price of the packaging blended wit
dreams is added to their net worth.

Most domestic fund managers tend to be ab
to see through these stories, and temper the
optimism with caution. In many IPOs, prude
fund managers prefer to await the listing ar
buy gradually at a better price, even if they c
believe in the fundamental opportunity.

Would a bigger quota help prudent domest
fund managers? I don't think so.

Lastly, let us look at a situation where tha
rare cosmic event occurs: the issuer and th
merchant banker decide to leave enough on th
table for the investor and the price is exceptio
ally attractive. Merchant bankers are not pai
to leave anything on the table for investors. Bu
suppose there is such a situation. I believe
quota-free bidding process would help the in
vestor arrive at a better estimate of the actua
demand and the possible upside. Thus, in th
interests of market transparency, it may be ad
visable to do away with quotas.

Looked at dispassionately, the quota syste
is born of a scarcity mindset: we are unable t
create more basic resources and, therefore, w
control how this scarce resource is distributed
To my mind, IPO stocks are not essential com
modities which have to be rationed.

So, to get back to the point: would highe
quotas be needed for mutual fund managers?
think not. In fact, I would go one step furthe
I would suggest we keep quotas out of IPO
totally.

---

*The author is CEO of JP Morgan. The view
expressed by him are his ow*

Get up to 50% off on www.travelguru.com with your Visa Card*!

Book any domestic air tickets, hotels or holidays on www.travelguru.com with your Visa Card and earn a Discount eVoucher.

Discount eVoucher (% of base amount)		
Card	on Airlines	on Holidays or Hotel Bookings
Visa Signature	50%	25%
Visa Platinum	25%	25%
Visa Gold	15%	15%
All other Visa Cards	10%	10%

Redeem this eVoucher for savings of up to 25% on your next hotel or holiday bookings. Make the most out of what life has to offer, only with Visa.

Other exclusive privileges for Visa Signature, Platinum and Gold Cardholders.

- *Get a complimentary movie ticket for your companion at www.pvrcinemas.com*
- *Get tantalizing dining offers at all Pizza Hut restaurants.*

travelguru™
India's Largest Hotel Network

VISA
All it takes.

For more details log on to **www.travelguru.com** or call MTNL/BSNL Toll Free: **1-800-22-4878** or Airtel Toll Free **1-800-102-4878** or **022-40304878 (Standard charges apply).**
*Terms and Conditions apply. Offer valid up to July 31, 2008. Please check with your bank if your Visa Debit Card has been activated for Internet purchase.

R K SWAMY BBDO VISA 17230

Tigers And Lions

by Rajesh Gajra

Beasts in the MF jungle do roar, but may not always bite

WASN'T IT SHAKESPEARE WHO SAID, "WHAT'S IN A name?" Fund managers definitely seem to think there's a lot. Catchy names are a good marketing ploy and can work magic with investors, and market willing, with performance as well. Welcome to the mutual fund jungle infested with tigers and lions!

About three years ago, there was excitement and some discomfort in the marketplace with mutual funds giving fancy names to their new fund offers (NFOs). Big and famous fund houses such as DSP Merrill Lynch MF and ING MF tried to hook investors with a T.I.G.E.R Fund and a L.I.O.N Fund, respectively. HDFC MF launched a Relief Bond Fund, that was seen as exploiting the brand image of RBI Relief Bonds, which were 100 per cent safe, but offered attractive returns. HDFC MF had to change it to Fixed Maturity Bond Fund.

But the first two NFOs — essentially equity schemes — roared into the MF jungle. The T.I.G.E.R Fund was an acronym for The Infrastructure Growth and Economic Reforms Fund and L.I.O.N for Large cap, Intermediate cap, Opportunities, New offerings Fund. Their end objectives were similar — to invest in diversified stocks in a growing economy — to over 200 other equity schemes in the mark across all the mutual funds. No doubt, th funds were named T.I.G.E.R and L.I.O.N t attract investors' attention. "Names do n make a fund good or bad," says Devendı Nevgi, CIO and CEO of Quantum Mutu Fund. "I feel funds should not use exotic name as it can lead to misunderstanding amon investors that a fund might be different."

These were not the trendsetters thoug Way back in the early 1990s, there was n dearth of clever fund names such as Canban Mutual Fund's Cantriple Plus and SBI Mutu Fund's Magnum Multiplier Plus Scheme-9 (MMPS-93). Canbank MF's current avata Canara Robeco, has cleaned up its act an except for Fortune '94, all its scheme name are normal like 'Equity Diversified' an 'Emerging Equities'. SBI MF's MMPS-93 con tinues till date.

The list of such funds is long. In addition t T.I.G.E.R and L.I.O.N funds, recent years hav seen names like ICICI Prudential Dynami Star, ING MF's Optimix 5 Star Multi-Manage FoF, Birla Dynamic Bond Retail and Standar Chartered MF's Grindlays Dynamic Bond Clearly, it is a story gone awry. But looking a the overall context of more than 280 equit schemes and 490 debt schemes, the number o schemes with misleading names are limited.

Investors, however, need to be wary. NFO still try to play on names. The latest example i of Morgan Stanley Mutual Fund's ongoin NFO that closes on 10 March. It is called A.C.E and aims to generate "long-term capital growt from an actively managed portfolio of equity..." It's just like every other equity scheme yet use the word ace in its name as a marketing ploy. I is not the first time that this word is bein used; DBS Chola MF used it 10 years ago in a fund called 'Triple Ace'.

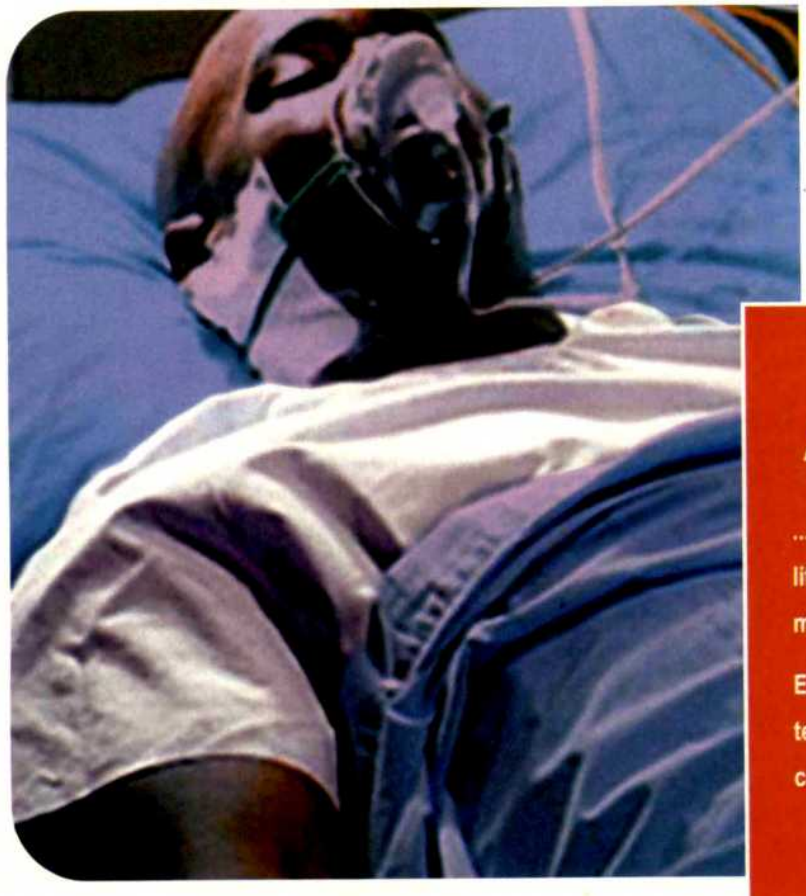
The Securities and Exchange Board of India (Sebi) has not taken any action on the use o names. But the capital market regulator issued a directive two years ago asking MF players that the investment objective of their new fund offers must be different from any of their existing schemes.

Sebi needs to do more. "What can probably be insisted upon by the regulator is that abbreviations should not be used and only simple and plain full-length names like 'equity diversified multi-cap', 'equity mid-cap focus' or 'equity diversified infrastructure-oriented' be used," says A. Balasubramanian, chief investment officer at Birla Sun Life Mutual Fund. That would help.

AMIT VERMA

THE NAME GAME: A name can make a fund appealing but may not necessarily indicate better performance

rajesh.gajra@abp.in



ELGI

Think Long Run

AIR POWER...

... enough to support critical life saving systems in the medical industry.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather ▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

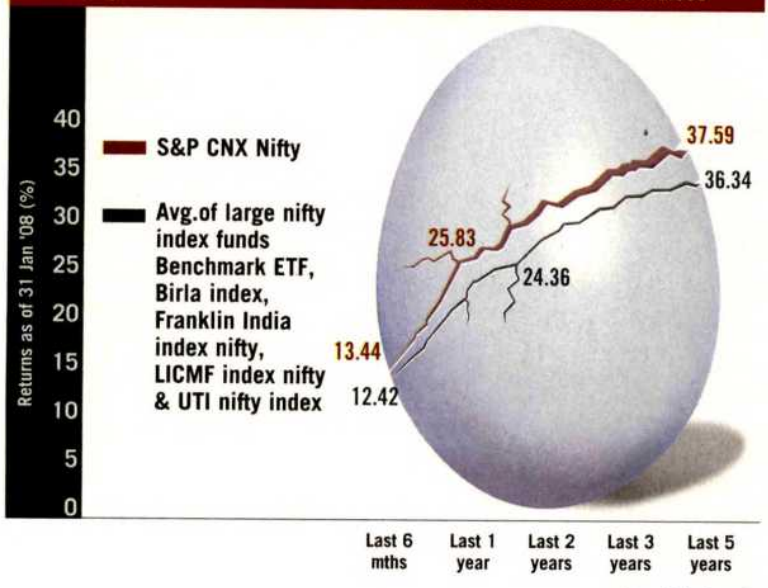
iB&W/ELGI/08/04

Against All Indices

by Rajesh Gajra

Moving in tandem

The performance of index funds has mimicked benchmarked indices



Source: Value Research

Index funds have fared better than actively managed funds

UNLIKE DEVELOPED COUNTRIES, INVESTORS IN India have not quite humoured passively managed funds. Index funds and index exchange traded funds (ETFs) in most overseas markets attract considerable investor interest because of a simple investment philosophy that any diversified portfolio of stocks cannot better a broad market index. And, hence, there is no need to pay an annual fund management fee of 1-3 per cent to an active fund manager who chooses his own diversified set of stocks.

The domestic mutual funds tell this tale starkly. As on 31 January, there were approximately 280 equity schemes across 35 fund houses with a combined marked-to-market corpus of about Rs 1,87,000 crore. The index funds and ETFs are just a handful — 19 index funds to be precise, with an approximate aggregate corpus of only Rs 1,900 crore and eight ETFs, with a combined corpus of Rs 5,381 crore.

Among the index funds, 12 track the National Stock Exchange's S&P CNX Nifty Index (Nifty with a collective corpus of about Rs 1,630 crore and seven track the Bombay Stock Exchange Sensitive Index (Sensex) having a combine corpus of Rs 270 crore. Among the ETFs, th largest corpus, Rs 4,253 crore, is in a singl scheme — Benchmark Mutual Fund's Bankin Index Benchmark Exchange Traded Scheme.

Despite the lacklustre investor participatio the performance of the various index funds ha managed to mimic their benchmarked indice with reasonable accuracy.

The most important concern for an investo in an index fund is the tracking error — the la of the fund's net asset value to the index. Of th 22 index funds and ETFs that had a two-yea track record, nine had tracking errors above 1. per cent, an acceptable figure.

Tracking errors arise due to impact costs o trades executed at the time of deployment o funds in index stocks. What adds to their cos further is the annual management fee tha ranges from 0.25 per cent to 1 per cent. Th ETFs' tracking error is generally lower than in dex funds but investors have to pay a brokerag charge when buying ETF units from the NSI or BSE.

Index fund proponents, though disappointe by the poor response from investors, are quicl to point out the last five years' track record tha shows the advantages of being invested in an in dex fund or an ETF rather than in an activel managed scheme.

"Most active funds are not able to consis tently outperform the market index; thos which do so for a year or two end up underper forming afterwards," says Sanjiv Shah, execu tive director at Benchmark Mutual Fund, th pioneer in index ETFs in India.

The statistics bear this out. Of about 280 ac tively managed equity schemes, 40 scheme have given more returns than the Sensex if on considers a three-year period upto 31 Januar this year. While a Sensex index fund returne between 36 per cent and 40 per cent, only 2C actively managed funds gave returns of 45 pe cent or more.

"The investor psyche is still tilted towards looking at mid-cap or low-cap stocks or activel managed schemes which invest in these; thei expectation is that these can double easily and provide them with easy high returns," says Mukesh Dedhia, a certified financial planne and director at Ghalla & Bhansali Securities, a NSE member firm.

Indian investors will probably take more time to start liking index funds.

rajesh.gajra@abp.in

HSBC Investments

Some little ones have more growth potential than others

Presenting the HSBC Small Cap Fund. It invests in small cap companies that have the potential to grow into tomorrow's blue chips. Selectively picked by our fund managers, these are the stocks that have strong fundamentals and are under-priced relative to their intrinsic value. It's a good way to ensure that your portfolio grows along with the stocks that it invests in. To know more on how to invest, call us or your investment advisor today.

HSBC Small Cap Fund

A close-ended equity scheme

NFO closes 03 March 2008

sms INVEST to 56767

HSBC Mutual Fund

Issued by HSBC Asset Management (India) Private Limited

www.hsbcinvestments.co.in

For more information call: • Ahmedabad 098983 77319 / 21 • Andhra Pradesh 098496 77319 / 21 • Bangalore 080 4118 6519 / 21 • Bihar 099313 97319 / 21 • Chandigarh 0172 500 8119 / 21 • Chennai 044 4200 8719 / 21 • Coimbatore 098944 77319 / 21 • Delhi 011 4149 0719 / 21 • Hyderabad 040 6667 4719 / 21 • Indore 098934 77319 / 21 • Jaipur 099280 37319 / 21 • Karnataka 099809 27319 / 21 • Kerala 098954 77319 / 21 • Kochi 098954 77319 / 21 • Kolkata 033 2213 9919 / 21 • Lucknow 099367 97319 / 21 • Maharashtra / Goa 099600 77321 • MP / Chattisgarh 098934 77319 / 21 • Mumbai 022 6666 8819 / 21 • NCR 099107 97319 • Pune 020 2600 1119 / 21, 020 2613 4283 • Punjab 098769 37319 / 21 • UP 099350 97321 • Vadodara 098983 77319 / 21 or write to us at hsbcmf@hsbc.co.in

Investors may obtain Offer Documents and Key Information Memorandums along with application forms from the office of HSBC Mutual Fund, 314 D.N. Road, Fort, Mumbai 400 001. Tel: 022-6666 8819. **Statutory Details:** HSBC Mutual Fund has been set up as a trust by HSBC Securities and Capital Markets (India) Private Limited (liability restricted to the corpus of Rs 1 lakh). The Sponsor/associates of the Sponsor/Asset Management Company (AMC) are not responsible or liable for any loss or shortfall resulting from the operation of the Schemes. The Trustees of HSBC Mutual Fund have appointed HSBC Asset Management (India) Private Limited as the Investment Manager. **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the Net Asset Value (NAV) of the Scheme may go up or down depending on the factors and forces affecting the securities markets. There can be no assurance that the objectives of the Scheme will be achieved. Past performance of the Sponsor, AMC, Mutual Fund or any associates of the Sponsor/AMC does not indicate the future performance of the Scheme of the Mutual Fund. HSBC Small Cap Fund (HSCF) is the name of the Scheme and does not in any manner indicate the quality of the Scheme or its future prospects or returns. **Scheme Classification:** HSCF is a three year close-ended equity scheme with automatic conversion into open ended equity scheme at the end of three years from the date of allotment of Units. **Investment Objective:** HSCF (a close-ended equity scheme) seeks to provide long-term capital appreciation primarily from a diversified portfolio of equity and equity related instruments of small cap companies. **Asset Allocation:** Equity and equity related instruments of Small Cap Companies*- 65 to 100%; Equity and equity related instruments of other than Small Cap Companies* - 0 to 35% and Debt and money market instruments - 0 to 35%. * Small Cap Companies are defined as the Companies with the market capitalization which is 1) lower than or equal to the market capitalization of the stock in the BSE Small Cap Index with the largest market capitalization and 2) higher than or equal to the market capitalization of the stock in the BSE Small Cap Index with the smallest market capitalization. **Terms of Issue:** Units of the Scheme are being offered at Rs. 10/unit for cash during the NFO. The AMC will calculate and publish the first NAVs within 30 days from the closure of the NFO. Subsequently, the NAVs will be calculated and disclosed at least once a week, i.e., every Wednesday and daily during the period of redemption. Subscription to the units will be permissible only during the New Fund Offer period. The scheme will not be open for ongoing subscriptions/switch ins. However, units can be redeemed/switched out on a monthly basis on the stipulated date i.e. last 3 business days of every month at NAV based prices, subject to provisions of exit load, if any and recovery of balance proportionate unamortized NFO expenses. **Load Structure ^: During NFO & the close ended period** – Entry – Nil; Exit # – If the investments are redeemed/switched out within: 1 year – 2%; 2 years – 1.5% and 3 years – 1%. #Balance proportionate unamortized NFO expenses to be recovered in case of exit within close-ended period. **Upon conversion into open ended scheme** - Entry - For investments/switched in below Rs. 5 Crores - 2.25%, otherwise Nil; Exit – Nil. ^ No entry load shall be charged in case of direct applications received by the AMC i.e. application received through internet, submitted to AMC or Collection Centre/Investor Service Centre and are not routed through any Distributor/Agent/Broker. It shall also be applicable to additional purchases done directly by the investor under the same folio and switch-in to a scheme from other schemes if such a transaction is done directly by the investor. The entry/exit loads set forth above are subject to change at the discretion of the AMC and such changes shall be implemented prospectively. **Please read the Offer Document carefully before investing.**

CONTRACT.HSBC.08.0191

BLOOMBERG

The Burden Of The Past

by Dinesh Narayanan

LOST GLORY: UTI once enjoyed high prestige. Today, it is trying to regain its lost eminence

MUMBAI-BASED BIMALKUMAR BERRY IS AMONG those investors who were badly stung when Unit Trust of India (UTI) was hit by an asset-erosion crisis in 2001. Berry had about 3,000 units of US-64, UTI's prestigious fund that was launched in 1964, a year after the institution was born under an Act of Parliament. He, however, got back only Rs 12 per unit under a government rescue plan when the net asset value was quoting at Rs 18 per unit. That crisis kept investors like him away from UTI for the next several years. Berry invested again in a UTI fund only in 2006. UTI was transforming during those years, reclaiming investor confidence and pulling together a doddering organisation.

Unit Trust of India is trying to claw back to its top perch

In the past 4-5 years, UTI has gradually managed to smooth out its severely dented image, though it has slipped to the third position in the AUM (assets under management) sweepstakes. It still manages assets worth nearly Rs 57,000 crore belonging to 9.26 million investors, the largest base in the country. The AUM is 10 per cent of the Rs 5.7 lakh crore that the mutual fund industry manages today.

In 1993, when private players were allowed entry, the industry was managing assets worth Rs 47,000 crore. Ten years later, when UTI wa split into two — UTI Mutual Fund and Spec fied Undertaking of UTI, which housed all th assured return schemes — the entire industr managed only about Rs 1,22,000 crore, which Rs 44,541 crore was managed by UT After the bifurcation in January 2003, UTI Mu tual Fund was left with assets worth only R 14,476 crore to manage. It was still the larges fund in the country. The transformation to it current status has taken time and effort. "Th main transformation in UTI is in HR practice and organisational restructuring," says U.K Sinha, chairman and managing director of UT Asset Management Company, which runs 7 schemes, some of them very popular.

"About 60 per cent of our schemes are in th top half (in terms of industry performance) an UTI Infrastructure Fund was ranked th eighth-best infrastructure fund in the world, says Sinha. "We never had so many well-per forming funds earlier."

He says the company has identified pas weaknesses and is working on eliminating them. UTI now pays employees and its nine fund managers salaries benchmarked to marke standards, and the incentive payout is on a quarterly basis. It has expanded its sales and marketing channels by tying up with private and foreign banks.

Still, memories of the old UTI have not vanished completely. Financial planner Gaurav Mashruwala says he wants to wait some more time before he recommends UTI schemes to his clients. "I am not happy with their service standards," he says. He is also miffed at UTI terminating old plans such as the UTI Senior Citizen's Unit Plan, an assured heath insurance scheme. "That affects investor perception," he says. Sinha does not agree. The 15-year-old plan was closed in January this year because regulation does not allow mutual funds to operate assured return schemes. He says that the company is not going back on its promise even though the scheme is terminated. "We are paying from our pocket to give the benefits to all investors (in UTI Senior Citizen's Plan) above the age of 58," he says. "No mutual fund will do that." For the others, UTI has negotiated a 30 per cent rebate on premium from New India Assurance, he adds.

Sinha says the company is now consolidating all its funds under one registrar. Earlier, it had four, which resulted in confusion and delay in investor service. The consolidation will be complete by the end of this month. He says that will ensure quick service to investors.

dinesh.narayanan@abp.in

Presenting LIC's Health Plus.

A Unit Linked Health Insurance Plan from India's largest insurance provider.

LIC's HEALTH PLUS
UNIT LINKED HEALTH INSURANCE PLAN

Now you can rest easy when it comes to matters of health. LIC's Health Plus covers you and your family for hospitalization. You can also claim medical expenses that don't require hospitalization. All this, combined with the higher returns of a ULIP plan. Invest today, and put your health in safe hands.

- Hospital Cash Benefit
- Major Surgical Benefit
- Domiciliary Treatment Benefit
- Your Money Grows in Units
- Income Tax Benefits

• The premiums paid in Unit Linked Insurance Policies are subject to investment risks associated with capital markets and the NAV of the units may go up or down based on the performance of the fund and factors influencing the capital market and the insured is responsible for his/her decisions. • The Life Insurance Corporation of India is only the name of the insurance company and Health Plus is only the name of the unit linked insurance contract and does not in any way indicate the quality of the contract, its future prospect or returns • Past performance may not be an indicator of the future performance • Insurance is the subject matter of solicitation • For more details on risk factors, terms and conditions please read sales brochure carefully before concluding a sale.

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Toll free No: 1800-425-9876 • SMS health<city name>56677
• Mobile No.: 9440512000 • Email: health@licindia.com

www.licindia.in

LIC No.13/ENG/07-08

Step In With Eyes Open

by nilesh shah

THE MUTUAL FUND INDUSTRY IN INDIA HAS grown steadily over the last couple of years and is today managing assets in excess of Rs 5,50,000 crore meeting different investment needs of millions of retail and institutional clients across debt, equity and hybrid asset class.

Some investors feel that mutual funds are launching too many New Fund Offerings (NFOs) and it is leading to confusion. When the pharmaceutical industry offers a vast range of products, giving doctors the choice to meet different requirements of their patients, it is hailed as research driven and innovative. When a chef at a hotel lays an extensive menu of dishes to satiate the taste buds of its clientele, he or she is hailed as an expert providing choice. Why then blame the mutual fund industry for creating confusion when it is trying to give a range of alternatives to investors?

NFOs are no different from other existing fund schemes in terms of investment management

Investors should note that all mutual fund schemes are governed by SEBI regulations. As per SEBI regulations, the Board of Trustees gives an undertaking that the new mutual fund offering is distinct and different from the existing schemes. It is not that NFOs are launched recklessly. There is a detailed process of understanding customer requirement, segmenting market opportunities and improving risk-return profile before an NFO is launched.

Based on past analysis, the mutual fund industry has launched NFOs to offer either specialised products to meet the requirement of an investor class or offer an opportunity based on market view. Gilts funds were launched to bring provident fund (PF) trusts in to the mutual fund fold. Floating rate funds were launched to protect against rising interest rates. Thematic funds were launched to participate in growth opportunities in sectors such as infrastructure and services. Arbitrage funds were launched to improve the risk return profile over short-term debt funds. Close ended funds were launched to push long-term equity investment habit among investors. Each NFO was an improvisation or an innovation to meet the needs of a distinct investor segment or present them with a market opportunity.

NFOs are no different from existing schemes in terms of investment management. We at ICICI-Prudential Mutual Fund launch an NFO after undertaking a detailed scientific research of investor needs and market opportunity. We also collect distributor and investor feedback for the proposed NFO. At no point of time do we dilute our focus on existing products.

NFOs, like all other existing mutual fund schemes, are regulated by SEBI in terms of pricing as well as distribution commission and other marketing costs. As a fund house, our objective is to introduce as many products as possible which serve the need of various customer segments or provide a market opportunity on a sustainable basis.

I will recommend to investors to understand each NFO either through his own efforts or using the services of a financial planner for better understanding of the product. Most mutual funds provide concise presentation and product notes which are available at various distributor outlets as well as on the websites of the fund houses. This is besides the detailed offer documents filed by them with Sebi. Investors should take advantage of the same and take an informed decision.

As the mutual fund products move from generalisation to specialisation, each NFO will not be suitable for every customer. The customer must be faithful to himself and should invest in a NFO only after understanding the product and only if it meets his or her requirement.

The author is Dy MD, ICICI Prudential Asset Management Company Limited

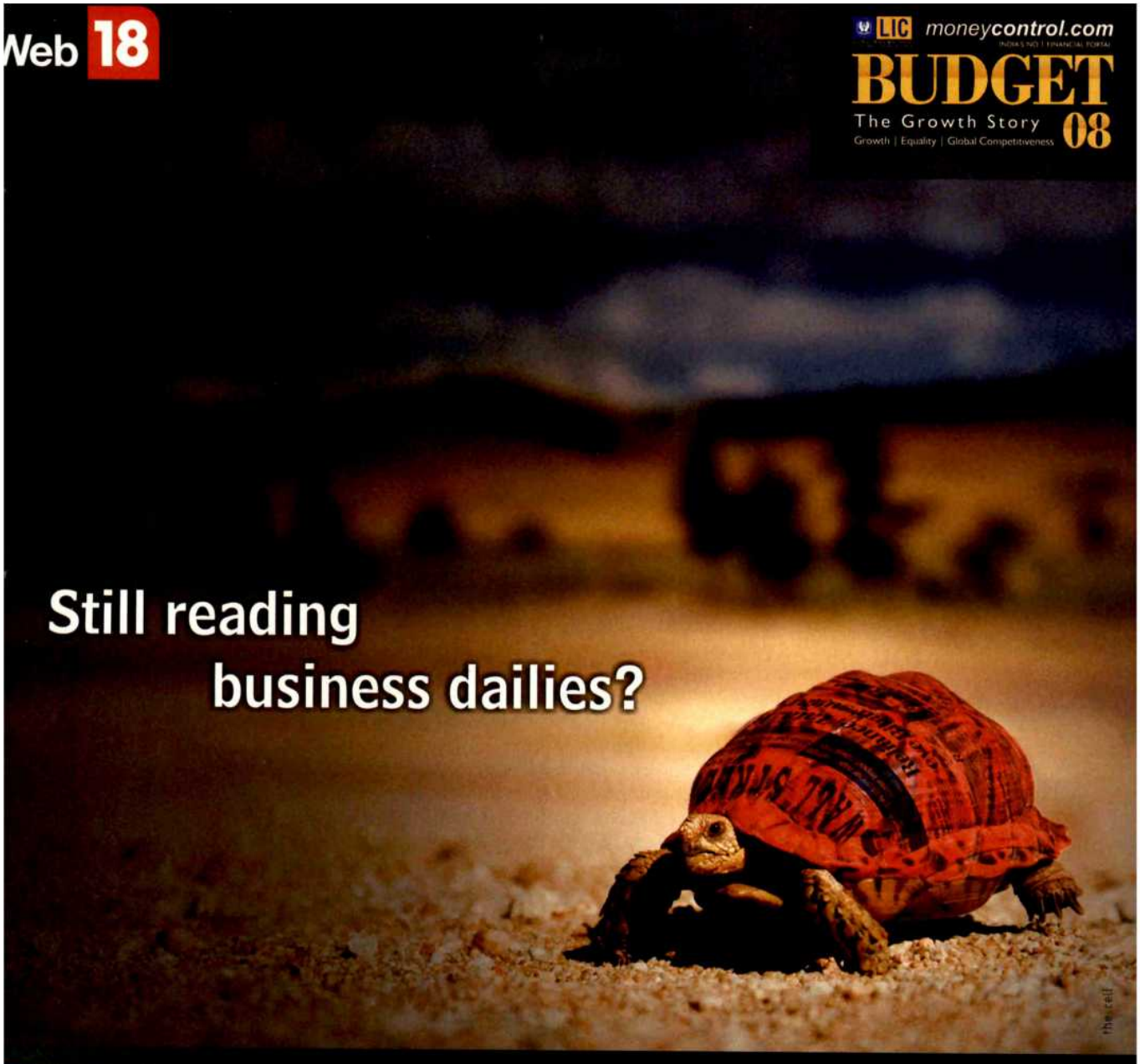
Web 18

LIC moneycontrol.com
INDIA'S NO.1 FINANCIAL PORTAL

BUDGET 08

The Growth Story

Growth | Equality | Global Competitiveness



This budget switch to MC - *fastest, deepest & most accurate.*

Moneycontrol.com brings you unmatched real-time updates and analysis of Budget '08. Benefit from our tools like Portfolio, track your net worth as the market moves up or down, keep a sharp eye on your watchlist and understand the impact of the FM's speech on the market and your stocks. 1.7 crore unique users* have benefitted from Moneycontrol in the last 6 months. Have you?

SMS Budget to 52622 for Budget updates or dial 5052622 and 1255526 (BSNL) and say "budget" to hear experts and be heard.

*Source: Google Analytics

moneycontrol.com MC
INDIA'S NO.1 FINANCIAL PORTAL

LIC भारतीय जीवन बीमा निगम LIFE INSURANCE CORPORATION OF INDIA

MAX NEW YORK LIFE Your Partner for Life*

HDFC BANK We understand your world

travelguru™ India's Largest Hotel Network

MF Global

Microsoft

GAURS Commitment Absolute

Canon Delighting You Always

DECCAN

Profit Bulls. Bears. Billionaires.

JET AIRWAYS

18

dollar cost averaging

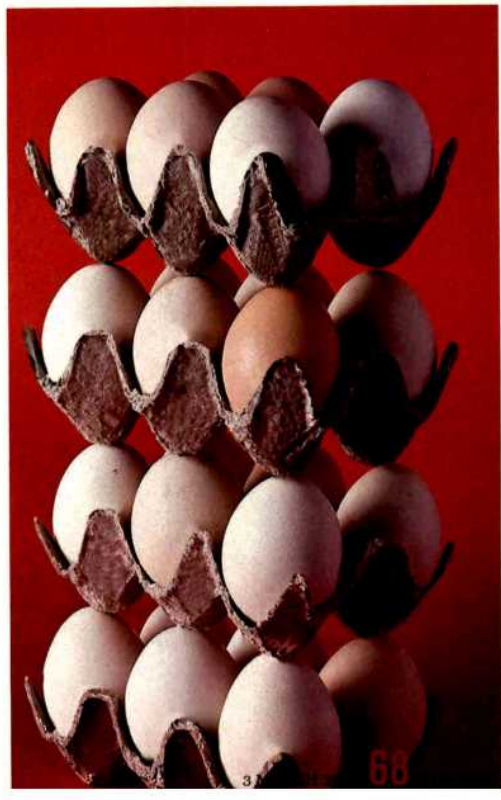
More Bang To The Buck

by Abhishek Chowdhury

Cost averaging may be a good approach to apply to MFs too

FORGET THE BULLS AND BEARS, STOCKMARKET investors are like hares and tortoises. There are those who go racing for spectacular gains, and others who do the slow and steady route. For the latter, rupee cost averaging is an investing technique that allows you to spread your purchases over a period of time, rather than make one single large bet. You could, for instance, invest a fixed sum of money each quarter, and buy the same stock; the idea here is to smoothen out market volatility in prices by investing over a number of periods.

What would such an approach do? For one, it spreads the cost of acquisition over time, and provides some insulation from market price changes. In other words, you work your way into a position. Second, it avoids investing too much when the market is high and investing too little when the market is low. For practical purposes, think of the approach the way you put money in your provident fund, just more of it.



AMIT VERMA

The table provides a hypothetical picture of how rupee cost averaging works. We have assumed that a person has Rs 8,000 at his disposal and wants to keep invested for a period of two years, but wants to play it safe. He has two options: invest a lump-sum amount of Rs 8,000 at Rs 120 per share on January 2006. So, he would be buying 67 shares and selling them at the end of two years at Rs 50 per share. Thereby, making a loss of 58 per cent.

Or, he can follow the rupee cost average method and invest Rs 1,000 every quarter for two years, and reduce his risk. Under this method, he would be buying 105 shares by investing a total sum of Rs 8,000, at the end of two years. This would give him a return of negative 34 per cent if he sells the shares as of October 2007 at Rs 50 per share, which is much less than 58 per cent. It is quite evident that this method is safer than investing a lump-sum amount.

What if the market and the stock price goes up? The return would be positive but would be less when compared to lump-sum investment. As the price increases, the number of shares purchased decreases. In our example, at the end of two years the person would have 64 shares and make a profit of 35 per cent. Which is much less than 67.50 per cent, a return he would have generated if the entire sum were invested at the beginning.

The rupee cost average approach also works well with mutual funds. The expense is same in case of both lump sum investment and fixed installments, but, in the later case, the expense is spread evenly.

Many mutual funds waive their required minimums for investors who set up automatic contribution plans (plans that put rupee cost averaging into action). This enables low-wage earners to invest a nominal amount on a regular basis without worrying about the impact of trading costs. While small contributions may not seem impressive at first, they enable investors to save, and can really add up over time.

While dollar cost averaging can help limit the downside of a worst-case scenario of an immediate drop in asset value after the lump sum is invested, market research has shown that such drop-offs are relatively rare compared to the strong emphasis the strategy puts on avoiding them. A better approach would be to increase the amount of investment every quarter. The increasing investment approach would not only reduce losses when the scrip price goes down but also increase profits when the price goes up as compared to rupee cost averaging.

abhishek.chowdhury@abp.in

Options For Investors

by K. Yatish Rajawat

INVESTMENT IN MUTUAL FUNDS GIVES YOU EXPOsure to equity and debt markets. Hitherto, these funds were marketed as a safe haven or as smart investment vehicles for novice investors. This perception is changing fast because many schemes have under-performed their benchmarks indices, especially in turbulent times. Moreover, at a time when equity markets are choppy, investors are looking at alternatives.

Investors scout for alternative avenues when one of their objectives is capital protection that may follow a sharp downturn in the markets. "Investors have far more choices now than they had few years back. While equity or debt seems the obvious option, there are now more asset classes for investment emerging, such as exchange traded funds, real estate funds, etc," says Sandip Dasgupta, CEO of Bharti AXA Investment Managers.

Diversification is not really a must for small retail investors, as some of these options require high initial investment. "We have been advising our customers to keep 60 per cent of their investment into equities, and 20 per cent in real estate and another 20 per cent in gold," says Nitin Rao, executive vice president of private banking at HDFC bank. Private banking customers have networth of atleast Rs 1 crore.

Assets such as gold and real estate can also serve as useful hedges, especially if the BSE index moves beyond the 17,000 level. Even international exposure to equity through schemes offered by foreign banks or special situation funds is considered as a good diversification strategy for Indian investors.

Gold and real estate can also serve as a useful hedge

HDFC Bank, for instance, has started offering exposure to the real estate asset class through portfolio management schemes. There are several venture funds too for investment in real estate, but only for high net worth individuals. These funds allow the investors to participate in projects at the land price level and ride the upside along with the developers. The only catch is the high initial investment — of the order of Rs 25 lakh or more, needed for participating in such schemes.

Another attractive option is gold, and there are now several exchange traded funds (ETFs) available for retail investors. These facilitate exposure to gold as an asset class by avoiding the tedium involved in selecting the right quality of gold and finding a safe place to store it, also selling physical gold is not easy. But an investor can buy these ETFs and ride the gold price without all these hassles. ETFs are passively managed funds and the management and administration fee is low, so the investor gets all the upside on the price rise in gold.

The first gold ETF, Gold BeES, was launched a year ago by Benchmark Asset Management Company. The fund is an open-ended exchange-listed scheme tracking domestic prices of gold through investment in physical gold. Each unit of Gold BeES is approximately equal to the price of one gram of gold. During the new fund offer, there was an entry load ranging from 1.5 per cent to 0 per cent. Investors will have to pay the brokerage charges applicable on the trade. Investors are exempt from wealth tax but have to pay long-term capital gains on sale of the ETF.

Besides gold, other commodities are not yet traded as ETFs. An investor has to take the derivative route to build a commodities portfolio.

Rao, however, says if you want to use gold as a hedge, it is better to invest in gold mining companies. "DSP Merrill Lynch World Gold fund gives exposure to mining companies. When the price of gold moves up X times, the price of gold mining company moves up 2X times. Hence, it is a better investment."

If you have money, you have many options to make more of it.

yatish.rajawat@abp.in

Of A Few Economies

by william pesek

CHINESE OFFICIALS COULD BE EXCUSED FOR wondering if Ben Bernanke has replaced Henry Paulson as US Treasury secretary.

When Paulson took the job, his top goal was prodding China to boost its currency. The White House hoped years of running Goldman Sachs and more than 70 trips to China would give Paulson the gravitas to get China to reduce its trade advantage.

As it turned out, it took Federal Reserve Chairman Bernanke to light a fire under Chinese officials. The Fed's interest-rate cuts are doing more than Paulson to encourage China to let the yuan rise versus the dollar.

US officials aren't satisfied with the yuan's 7 per cent surge in 2007 or 2 per cent gain this year. Yet, the economic reality — the highest inflation rate in 11 years — is forcing China's hand. So is the rising cost of intervening in markets to hold down the yuan.

Higher interest rates have long been the primary brake that the People's Bank of China used to cool its economy. Now, the central bank is putting exchange rates before borrowing costs, says Li Yang, head of financial research at the Chinese Academy of Social Sciences in Beijing.

Such comments, said Dwyfor Evans, a strategist with State Street Global Markets in Hong Kong, "imply the Chinese yuan appreciation bias remains intact." Evans wouldn't be surprised to see the yuan rise to 6.5 to the US dollar from today's 7.15 level by year's end. That would suit China Investment Corporation, China's sovereign wealth fund, just fine. As the yuan rises, efforts by CIC Chairman Lou Jiwei to invest China's currency reserves overseas become easier. While there's still plenty of resistance to the rise of "state capitalism," a stronger yuan makes foreign assets cheaper.

There's always a risk China will slow the yuan's gains. Yet, higher interest rates and administrative steps in Beijing haven't done the job. Whether China likes it or not, the yuan will probably continue to strengthen.

Japanese economists have long buzzed about the miniskirt index — the belief that a direct connection exists between the length of young women's skirts and the growth outlook. Hairstyles can now be added to the list of indicators, and it may not be great news for the Japanese economy.

After two decades of annual surveys, Kao Corporation, Japan's largest maker of personal-care products, concluded that women tend to wear their hair short when the economy is weakening and long when things are improving.

Gloom isn't the talk of Japan at the moment — not after news last week that the economy grew 3.7 per cent last quarter, twice the pace economists forecast. Yet, the drivers of growth were business investment and exports to Asia. Both are vulnerable to a US slowdown. And a lot has happened in the six weeks since 2007 ended. US economic trends have worsened. So have things in global credit markets.

On 13 February, Woori Finance Holdings, South Korea's third-largest financial-services company by market value, posted a 54 per cent drop in profit because of losses on US mortgage- related investments. On 18 February, Michael Smith, CEO at Australia & New Zealand Banking Group, said the 'bloodbath' in debt markets would erase profit growth this year.

Australia's inflation fight is kicking into a higher gear. Reserve Bank of Australia board members this month considered raising the benchmark interest rate by 50 basis points for the first time in eight years. They ended up going a quarter point, taking the benchmark to an 11-year high of 7 per cent.

"The RBA effectively declared that its experiment to see if sub-5 per cent unemployment could coexist with 2-3 per cent inflation in the medium term has failed, at least this time around," said Rory Robertson, an interest-rate strategist at Macquarie Bank Ltd. in Sydney.

Australia has made headlines globally of late for Prime Minister Kevin Rudd's apology to Aborigines taken from their families for assimilation with the white community. Rudd also ratified the Kyoto Protocol on climate change.

Rudd's biggest challenge may be keeping the economy from overheating. Also, a shaky global environment is complicating things. Slam on the brakes too little and inflation runs out of control. Go too far and Australia's 16-year expansion comes to an ignominious end.

Few economies are set for a more interesting year than Australia's.

Australia is likely to have a more eventful year than other fast-growing economies across the globe

---

William Pesek is a news columnist for Bloomberg

(C) Bloomberg 2008

Tax Preparation

Corporate I Individual

US I UK I Canada

Employees on overseas assignments in US, UK or Canada ?

Relieve them from the hassles of tax preparation and filing

Contact us for details.

International Accounting * GAAP * IFRS

9811520135 I sanjeev@ekminfo.com I www.ekminfo.com

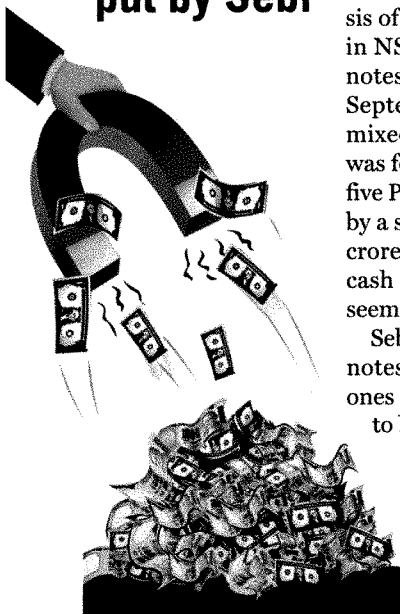
EKM

Excellence in
International Accounting & Taxation

Post-Noting The P-Notes

by Rajesh Gajra

There is some cooling off in a quarter into curbs put by Sebi



IT IS FOUR MONTHS SINCE THE SECURITIES AND Exchange Board of India (Sebi) introduced restraints on the issuance of P-notes by foreign institutional investors (FIIs) and their sub-accounts (FII-SAs). The objective was to control their investments through P-notes because, as the 16 October 2007 Sebi proposal had stated, of the 'anonymity that the ODI (P-notes) provides to the investors and the copious inflows into the country from foreign investors.'

Is this objective being achieved? A *BW* analysis of the greater-than-1-per-cent shareholding in NSE-listed companies of the largest five P-notes issuing FII-SAs, for the quarters-ended September and December 2007, reveals a mixed picture. From the shareholding data, it was found that the aggregate holding of the top five P-note issuing FII-SAs came down but only by a small margin of 6 per cent, from Rs 97,681 crore to Rs 91,809 crore (see table). So, in the cash market, the Sebi curbs on P-notes do not seem to have had much of a deterring effect yet.

Sebi had banned FII-SAs from issuing new P-notes and directed them to wind up existing ones within 18 months. But the FIIs continued to be allowed to issue P-notes.

The curbs led to some of the top P-note issuing FII-SAs getting themselves registered as FIIs. Goldman Sachs Investments (Mauritius) converted from a FII-SA to a FII on 14 November 2007. Morgan Stanley and Co. International (MSCI) continued being a FII-SA but the group registered two new FIIs—Morgan Stanley Mauritius Company (MSMC) and Morgan Stanley Investments (Mauritius)—on 7 November last year. A large chunk of the holdings in MSCI have been transferred to MSMC as is reflected from the shareholding data of the last two quarters.

The picture is also mixed in the equity derivatives segment. Sebi banned all FIIs and FII-SAs from issuing ODIs with underlying as derivatives and directed the winding up of existing ones by April 2010.

Without P-notes, FIIs and FII-SAs are free to invest any amount through futures and options trading. With or without P-notes, their participation in the derivatives market continues to be significant. For a month and a half before Sebi's 16 October announcement, FIIs were, on an aggregate basis for the period, net buyers in index futures (predominantly Nifty futures) to the tune of Rs 9,942 crore and net sellers in stock futures (predominantly on NSE) of worth Rs 9,831 crore. From 17 October last year to 20 February this year, the FIIs have, on an aggregate basis, been heavy net sellers on both — Rs 12,742 crore in index futures and Rs 18,314 crore in stock futures.

These heavy sales appear to be partly due to the effect of the uncertainties in the global equity markets, but the stoppage of new issuance of fresh P-notes with underlying as derivatives and the unwinding of existing ones seem to have contributed to the negative net tally.

Given that there are 14 months more for the unwinding and given the ongoing restrictions the effect can only be bearish for the market.

rajesh.gajra@abp.in

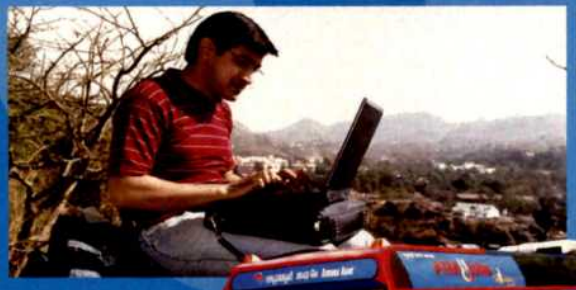
JUMPING OVER HURDLES

P-Note issuing FIIs struggle to juggle their holdings.

	Holdings as on 30 Sept 2007			Holdings as on 31 Dec 2007		
	Value (Rs crore)***	Shares held (in million)	No. of companies	Value (Rs crore)***	Shares held (million)	No. of companies
Citigroup Global Market (Mauritius)	22,721	663	149	21,490	639	143
Merrill Lynch Capital Markets Espana	22,050	416	136	22,682	399	129
Morgan Stanley & Co. Int. *	20,636	476	127	23,835	469	128
CLSA Merchant Bankers **	18,676	182	32	12,702	154	32
Goldman Sachs Investments (Mauritius)	13,597	332	99	11,100	273	91
Aggregate of above 5:	97,681	2,068	---	91,809	1,934	---

All above holdings are in NSE-listed companies only and do not include positions in derivatives contracts; * - includes holdings in the name of Morgan Stanley Mauritius; ** - includes holdings in the name of CLSA Mauritius
*** - calculated on value of shares as on 31 Dec '07
Source: Capitaline Plus, *BW* research

Leveraging Innovation & Technology. For Security & Progress



Andhra Bank, one of the leading nationalised banks, has taken upon itself the pioneering task of leveraging technology for overall growth. By investing in the right technology that reaches every hinterland of the country and the tech-savvy citizens of urban India. By developing the right products that suits the diverse needs of this diverse country.

Some of our service initiatives:

- Net Banking - Mobile Banking - Credit Card - Kisan Vikas Card

ఆంధ్రాబ్యాంక్ आन्ध्रा बैंक **ANDHRA BANK**

(A Government of India undertaking)

Much more to do, with YOU in focus

Cargo solutions for the world.

The preferred cargo airline in over 100 destinations.

For more details please contact Emirates SkyCargo in Ahmedabad: 2640632
Kochi: 2611213, Kolkata: 40059996, Mumbai: 268

ore: 25220327, Chennai: 22560339, Delhi: 25652479, Hyderabad: 27763509,
hiruvananthapuram: 2508949 or visit **skycargo.com**

Invasion, Yes Invasive, No

by bill emmott

AMID THE SOUND AND FURY OF THE US PRESIdential-election campaign, the sound of protectionism or economic populism has been conspicuous by its absence. With the US economy sliding into recession, unemployment rising, home-foreclosures soaring and a huge trade deficit, this is surprising.

Of course, protectionism will surely be heard about when the Congressional races become more prominent after the summer. Such local contests often feature arguments about closing factories and unfair foreign competition. Unemployment has just begun to rise. By summer, it could be a lot higher.

On the other hand, primary campaigns in previous elections have been more protectionist than the general election, because in primaries candidates fight for their party's core supporters, which pushes them towards extremes. So if there is little or no protectionism now, the danger may be about to pass.

There are three likely explanations for the absence of protectionism. One is that in the party most prone to populism, the Democrats, Hillary Clinton and Barack Obama are such charismatic figures that populists such as John Edwards had no chance.

The second is contained in an even more recognised phrase: subprime. If the US slides into recession, it will be due to the billions of dollars lost by banks in the subprime mortgage market. Unlike in earlier slumps, there is no point in blaming foreigners. The problem lies at home.

Moreover, part of the solution is coming from the countries that protectionists expected to gain popularity by attacking: China, other Asian countries, and the Arab world. Their state-run investment funds, known as 'sovereign-wealth funds', have provided more than $70 billion in new capital to the big Wall Street commercial and investment banks.

My former employer, *The Economist*, described this as "the invasion of the sovereign-wealth funds" in its 19 January 2008 issue. These huge funds, which economists at Morgan Stanley reckon command total assets of $2.9 trillion, may be saviours today but soon enough, says *The Economist*, rich-country politicians will start to attack them for gaining too much control over strategic investments and for harbouring political motives. Protectionism may be silent today, goes this argument, but tomorrow it will be noisier than ever.

Sovereign-wealth funds need not be monitored as long as they don't take controlling stakes in companies

The Economist has influential company. Larry Summers, who was Treasury Secretary under Bill Clinton, wants sovereign-wealth funds to be regulated in a special way. Last September, I attended a debate about this between Summers and Jose Angel Gurria, the former Mexican finance minister who now heads the OECD in Paris.

In the debate, Gurria took the position of an economic liberal: open capital markets were vital for global prosperity, and it would be counter-productive to place obstacles in the path of such investment funds. All that was needed was a code of conduct. Nonsense, said Summers, it would be naïve to rely on codes and transparency. In his view, such funds cannot be relied upon to act like normal, profit-seeking investors. They might want to secure foreign technology for national strategic interests, for instance.

The Economist did not argue for special rules covering sovereign funds, but it did agree that these funds are likely to provoke a backlash amongst rich-country politicians.

So, what are the public-policy implications of these funds' rise? If oil and commodity producers continue to build up vast balance-of-payments surpluses and if China continues to accumulate foreign-exchange reserves, these funds are going to get bigger.

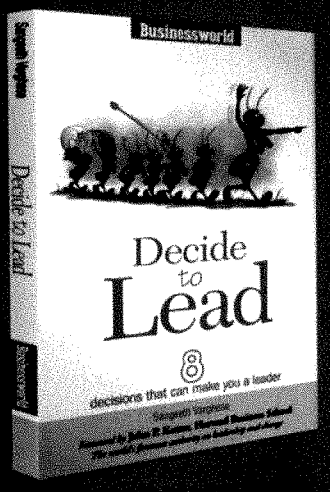
This issue needs to be sliced up in two ways. The first: for whom might these funds be a problem? The second: what type of behaviour would merit special rules? If you look at the recent rescue of Wall Street banks, the "for whom" question matters greatly. For the US government and for taxpayers, the rescue is not a problem; it has saved them huge sums. The problem is really one for the banks' shareholders and creditors, for these investments have diluted shareholders' rights and in some cases established preferential claims on the cash flows of the banks.

The "what behaviour" question is also illuminated by the bank rescue. All the investments in those banks are minority stakes. Only if the sovereign funds were to buy controlling stakes could their behaviour become an issue.

The right conclusion is that sovereign-wealth funds require no special rules as long as they buy only minority stakes. Only when they take controlling stakes should they be given special scrutiny or be subjected to special rules.

The author is a former Editor of The Economist.
policyworld.bw@gmail.com

NINE DECISIONS CAN MAKE YOU A LEADER. THE FIRST ONE IS TO BUY THIS BOOK.



By Sangeeth Varghese

- Eight decisions that can transform your life and make you a leader
- Penetrating insights explained through captivating fables & biographies
- Foreward by John P. Kotter, world's authority on leadership and change

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order of "Businessworld Decide to Lead", fill this form & mail it to us:

Name: Mr/Ms_____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

Please tick the desired option: ☐ 1 copy for Rs. 399/- ☐ 5 copies for Rs. 1795/- (10% bulk discount)

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐ Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Deptt., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170, e-mail: businessworldsubscriptions@abpmail.com

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-24962587; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your subscription. Any request for cancellation of the subscription will not be entertained once the free gifts have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only.

Beyond The Back-office

BUSINESS PROCESS OUTSOURCING (BPO) IS A $11-billion industry in India. It is growing at more than 35 per cent — much faster than the offshore IT industry. BPO industry in India derives bulk of its customers from the US. With the US economy heading towards a slowdown, the big question facing the industry is — will it use the challenging time as an opportunity to expand or will it slow down? To discuss this and other issues relating to the changing dynamics in the industry, *BW* and the industry association, Nasscom, hosted an expert panel of Peter Bendor-Samuel, CEO of Everest Group, a research firm; Rahul Singh, MD and CEO of Citigroup Global Services; Raman Roy, chairman and MD of Quatrro BPO Solutions; Pavan Vaish, CEO of IBM Daksh Business Process; Ameet Nivsarkar, vice-president of Nasscom; Salil Parekh, executive chairman of CapGemini India; and Neeraj Bhargava, CEO of WNS Holdings. ***BW*'s K. Yatish Rajawat** moderated the discussion. Excerpts:

K. Yatish Rajawat: Let's start our discussion with how the BPO industry is preparing itself for the imminent slowdown in the US economy. The assumption here is that if there is a slowdown in the US economy, the US companies witnessing a drop in revenues will delay all decision-making before they start cutting costs. And like in 2000-01, there will be a slowdown in the offshore services industry in India.

Peter Bendor-Samuel: My perspective is contrary to others. We believe the slowdown of US economy will be a bump for the Indian BPO industry. It will lead to acceleration of offshoring. We clearly see that across a number of industries. The only business where we see a slowdown is mortgages, which may have some contractual issues. But, overall, we see a bounce and acceleration coming, driven by the necessity of cost savings. So my belief is that the BPO sector should be preparing for more growth.

Raman Roy: Actually, listed companies will be under pressure from their investors to take costs off from their balance sheets. According to a study we did, in the US service industry the recall for outsourcing and offshoring was 85 per cent plus. I don't know, Peter, if you agree with that, and therefore the moment there is any hint of a slowdown and the investors put pressure — hey, hold on guys, we need to take out cost and maintain profits. I really don't care why people offshore. I don't burst into tears when somebody comes to me saying, "I have given it to you because I need to take out cost", or he comes to me and says, "I am giving it to

Salil Parekh, Executive Chairman, CapGemini India

"For the pieces of work that we do, the demand is very robust from everything we see today."

PHOTOGRAPHS: SUBHABRATA DAS

THE BIG QUESTION: With the US economy heading towards a slowdown, the issue before the BPO industry is — will it use the recession as an opportunity or will it slow down?

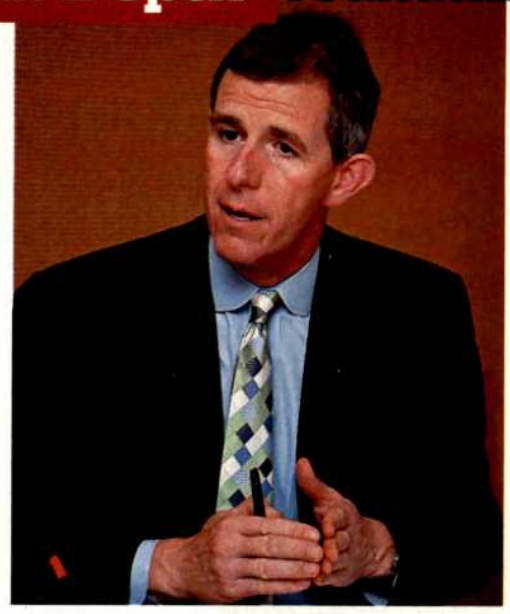
the BW-NASSCOM roundtable 2008

you because I am growing too fast and I can't manage it." The fact is, it is coming to us, and again, Peter, you made the point on mortgages. Again, we work in that industry... yeah, so the origination of subprime etc. has gone down, agreed. But what about foreclosures? I cannot manage the volumes I have been getting on foreclosures.

Ameet Nivsarkar: What may happen is that the discretion spending may get delayed. But a lot of revenue in the industry is annuities-based contracts which will continue. Secondly, the sector is diversifying and it is serving far more verticals, be it technology, telecom, healthcare, utilities, and people don't stop using gas or people don't stop using the internet. So the industry will continue to grow at 30 per cent-growth So really the impact will be minimum.

Neeraj Bhargava: First of all, I want to conclusively contrast the IT and BPO industry here because I have spent bulk of my time trying to answer questions which are more related to the IT industry than the BPO industry. We have annuity businesses. If people have budget cuts they actually seek us out even more and there is hardly any discretionary spending work we do. We are not dependant on CIO budgets for new spending so therefore in this... as it happened in the last downturn, when all IT companies who after years of denial that BPO is important to them, started looking at BPO for growth. I think we are entering that cycle again that BPO is becoming a more attractive opportunity for everyone whether it is investors or people who are running companies. I agree with Peter wholeheartedly. I think there is a very specific reason that the last quarter, October-December, people spent their time relating to the new environment and the new situation.

In January, everyone has got a new budget and when they look at what their boss has given them is slashed by 20 or 15 per cent and say, "Oh my God! How am I going to do it?" So, at this point of time, our sense was that in the October-December period there was some sort of slowdown in decision-making which is probably what I hear Peter saying as well, but since the beginning of this year, actually the intensity has gone up so much that we are having a hard time putting up with meetings, leave alone handling the stuff that is coming. So, I personally think



Peter Bendor Samuel, CEO, Everest Group

"The slowdown of US economy will lead to acceleration of offshoring."

Rahul Singh, MD & CEO, Citigroup Global Services

"The clients want to send more work out here, but they also want higher output for the same dollar spend"

Raman Roy, Chairman & MD, Quatrro BPO Solutions

"Listed companies will be under pressure from their investors to take costs off from their balance sheets."

that this is actually very positive for us and the evidence is already showing.

Pavan Vaish: There are two trends here. There will be an impact on the BPO industry which is selling to US consumers. They might see some shrinkage in demand. But when they come to us right in this situation, our customers don't do one thing, they want to do several things with us. So, overall we are seeing the momentum continuing, and in some area the pressure is increasing. But when you look at it from the customer's perspective, there may be some shrinkage in contract volume or transaction volume depending on what BPO segment you are in.

Rahul Singh: Yeah, I think there are two trends and I agree with what Raman and Niraj said, but I would like to point out two things. Number one is that you know I think there is now enough flexibility in the industry. We are now seven years old. We have seen a lot of maturity in several other processes.

Therefore, as the recession sets in and as the requirement from customers change, we will be able to move people in and out of various processes. Number two is that the clients' expectation at this point of time, I think, is also of immediate concern, especially in terms of output. What they are saying is that they want to send more work out here, but they also want higher output for the same dollar spend.

Salil Parekh: I have a similar view essentially. I think we are not seeing any slowing in the demand on the BPO side. We have a broad portfolio and IT pieces, and different scenarios will emerge. Nothing has emerged yet but on the BPO side which is a smaller piece of our business, we see continuing demand. We think for some small elements, and we are not in that where there might be some transaction processing type of BPO which is, in general, very small in any case. There may be an impact if there are some consumer-related activities, but for the pieces of work that we do, the demand is very robust from everything we see today.

Rajawat: So there will be some impact on pricing or margins but the revenue momentum will continue.This seems to be the consensus. But coming to the maturity of the industry, is there any way to detect this maturity? Are there, for instance, any changes in the pricing away from per person or per hour charges?

Bhargava: Yeah, maturity in terms of number of processes in a company or for an industry. It may not necessarily be with the same client, but for an industry you can show a very wide variety. I think the second point is that the quality of relationship and trust you have built over the years can only improve, so does the level of relationship you have at senior management. I

Neeraj Bhargava, Chief Executive Officer, WNS Holdings

"The quality of relationship and trust you built over the years can only improve."

Pavan Vaish, Chief Executive Officer, IBM Daksh Business Process

"There may be some shrinkage in contract or transaction volume depending on the segment you are in"

Ameet Nivsarkar, Vice-President, Nasscom

"The discretion spending may get delayed. But a lot of revenue is annuity-based contracts."

think all of us can probably talk about the fact that with our clients we are able to have an open and sometimes unambiguous discussion about — "Well, I have this problem, what do I do?" And I think that is a reflection of maturity where you have worked with them for so long, they trust you, they have seen performance and they feel comfortable having discussions with you saying, "Well, you have done this for me, but I have problems here, how can you help me?" I think the best deals come out of discussions like that.

Bendor-Samuel: What I see is an industry that has spread its offering across several industries. Having said that, it is still very immature, okay, there are enormous number of companies, in fact, it is defined by numbers. The potential is enormous and the demand is building up the push in terms of cost cutting. We have validated the offshore model. We have been able to move out of just input-based to more mature output. We have demonstrated that we have been able to migrate things from low scale to high scale in the industrialised components. We have just started here, we have a long way to go before we say that we are mature.

Rajawat: How do you think the captive BPO operations will evolve over the next few years? Do you see them turning into third party or being bought over as inevitable. Let Rahul start this discussion as he heads a captive.

Singh: I think captives have certain advantages. We get a lot of access to technology and proprietary practices of our parent companies. This gives us the ability to scale up. I think that, you know, captives also have an advantage of being able to move up the value chain. I think our client trusts us, you know, and more likely to experiment new things with us than with a third party. Therefore I think captives have a place in this world. There is a reason for their existence, they are able to ramp up first at least in the areas more core to the operations.

Parekh: I don't have a similar view on this one. I don't think there is a place in this business in long-term for captives. I think there will come a point where there will be issues related to cost and which will lead the captives to make other choices.

Bhargava: I think (a) captives will continue to exist and prosper and (b) it is actually good for us because they bring more jobs here, they bring more scales here. So, that part is fine. I think the issue we have today is an economic one. I think people in captives have abused their privilege here, you know, misusing their shareholders money by creating cost structures which are not necessary.

yatish.rajawat@abp.in

Think Global, Act Local

by gurbir singh

INTERNATIONAL ENTERTAINMENT MAJORS HAVE upped the ante for the Indian market. More interestingly, they are consolidating their presence through joint ventures and buying into Indian companies. There has been the learning curve. Those that experimented with 100 per cent subsidiaries have had a rough time.

Walt Disney Company has become an equal partner in UTV. In a deal announced on 18 February, Disney will raise its existing holding of 14.9 per cent to 32.1 per cent for Rs 805 crore. This will bring Disney's shareholding in the Indian film and broadcasting company on par with UTV promoter Ronnie Screwvala. Disney first acquired a slice of UTV in July 2006, when it bought out the kids channel Hungama TV as well as acquired a near-15 per cent stake in UTV Software for around Rs 180 crore.

Less than a month ago, General Electric-owned NBC Universal acquired a 26 per cent stake in NDTV Networks for Rs 600 crore. The deal includes the option of NBC Universal taking a controlling 50 per cent stake after two years. NDTV Networks is the holding company for the newly-launched Hindi entertainment channel NDTV Imagine and NDTV Good Times and for the group's online business.

What do these moves signify? The Indian entertainment market is Hindi-dominated and has a significant regional segment. To understand the local market's nuances and to tap it, the international majors have decided to go piggy-back with established Indian brands. NBC Universal understandably has not even tried a go-it-alone strategy. It has learnt from Disney that tried it and failed.

Walt Disney has had an interesting history in India. It started with a joint venture with Lalit Modi way back in 1993. The JV Buena Vista India (BVI) was a fiasco from Disney's point of view and dragged the company back almost a decade allowing Turner's channels to steam ahead. Disney finally dissolved the JV in August 2003 and bravely launched on its own with its two channels in December 2004. But the Disney brand did not work. Turner's kids channels, Cartoon Network and Pogo, grabbed and kept 70 per cent of the market.

Disney has decided that local management is the key to success and that UTV will be its India platform

On the other hand, UTV's desi kids channel, Hungama TV, rose to third spot and played spoiler between the two heavyweights.

Screwvala and UTV planned their moves to benefit from the fracas. Knowing that Disney was coming with its channels, UTV launched earlier with Hungama, built up substantial channel share, and then demanded its pound of flesh to get out of the way. Disney paid a juicy price. In 2006, Rs 180 crore was a lot of money! Many media commentators lampooned Disney for having been taken for a ride in buying Hungama. Somewhere along the line a CEO too had to quit his job.

But history has now shown that the deal with UTV has worked for Disney. The latest TAM Media weekly ratings show Hungama TV has edged past former market leader in the kids space with a channel share of 28 per cent compared to Cartoon Network's 27 per cent. The last four weeks' share shows the two competing channels are neck and neck with 25 per cent each. In comparison, the Disney channel has been clocking an average of just 9 per cent! (Feb 3-9 2008, C&S homes)

Sounds something like the classic Coke-Thums Up brand boomerang. Coke bought out Thums Up to kill the brand so that it could meet Pepsi's challenge one on one. What happened instead was Thums Up continued to outsell Coke, and Coke was forced to change strategy and build a Coke-Thums Up JV to worst Pepsi.

Walt Disney Co has decided with hindsight that local management is the key to success, and that UTV will be the entertainment company's India platform. UTV's promoters are of course that much richer, getting a 10-fold valuation of what they got in 2006. For Screwvala, who has successfully incubated and sold many a channel and company, it is one more feather in his cap.

The acquisition of NDTV Networks' stake is more intriguing. From the way NBC Universal has it written down that it will take a controlling 50 per cent stake in two years time, seems to indicate that the entertainment broadcasting company was created as a 'forward' NBC entity souped up with the NDTV branding and local synergies. Media analysts are saying NBC Universal has got a good deal too since NDTV's entire online operations having been also subsumed into NDTV Networks,

The slogan that all MNCs repeat ad nauseam — 'Think Global, Act Local' — has just got a shot in the arm.

gurbir.singh@abp.in

The world is your destination

S P Jain presents the **Global MBA Program** that opens global opportunities for you

Q. What is special about S P Jain and this program?

A: S P Jain is one of India's top business schools and now also has campuses in Dubai and Singapore. The Global MBA is designed for those who aspire for a global career or wish to join a multinational firm. All participants spend 6 months each in two vibrant business capitals - Dubai and Singapore thus being exposed to a global business environment. In each city participants do projects for local companies, interact with local business professionals and are taught by international professors.

Q. Why is it a one year program?

A: The program is designed for working executives who prefer to take only one year off so that they can get back to work sooner. The curriculum however is over 1000 hours as in a typical 2 year program. These executives are very bright and ambitious and prepared to work twice as hard and sacrifice holidays in order to save one year.

Q. Why are there so many super specializations?

A: Recruiters say that conventional MBA participants lack in-depth domain knowledge. The Global MBA offers 9 super specializations - Investment Banking, Wealth Management, Banking Management, Retail Management, Services Marketing & Management, Product Marketing & Management, Global Logistics Management & Supply Chain Management, Information Technology Management and Global Human Resources Management to ensure that a participant has mastery over a chosen area. This has been widely appreciated by the industry and gives our participants a tangible edge.

Q. What about the faculty?

A: In addition to S P Jain's own top class faculty we also put a lot of effort to get only the very best professionals from all over the world to lend their global knowledge. Our participants say that our outstanding faculty is one of our greatest strengths.

Q. What are the admission's criteria?

A: An attempt is made to identify and groom tomorrow's CEO. Several criteria like an aptitude test, undergraduate record and relevant work experience are considered. Thousands of participants apply for the few seats and so admission is very selective. The website gives all details.

Q. What is your placements record?

A: We have had a 100% placements record. To cater to the need for global jobs we have placements offices in Dubai, Singapore, Australia and India. Shortly, this list will include more countries.

Last date for application - March 31, 2008

SPJ S. P. JAIN CENTER OF MANAGEMENT DUBAI • SINGAPORE

www.spjain.org

gmba@spjain.org

Mumbai: +91 22 32906596/97 Dubai: +9714 4291234 Singapore: +65 62704748

AMIT VERMA

Elusive Revenues

by Puja Mehra

The excise mop-up is lagging economic growth due to evasion

THE FIRST WARNING ON SLUGGISH EXCISE DUTY collections had come in March 2007. Launching the electronic accounting system for excise and service tax, Finance Minister P. Chidambaram had declared: "While there has been a substantial increase in the collection of income tax and corporate tax, there has not been a commensurate rise in the excise duty collections, signifying evasion." The diagnosis of the symptoms came with a stern warning: "In 2007-08, there would be a concerted effort to check evasion of excise duty."

Four months later, at a meeting of chief commissioners and directors general (DGs) of central excise and customs in the capital, Chidambaram reiterated the ultimatum to excise duty evaders with a threat of "high-impact auditing" to arrest the evasion: "If there is one tax where I think there is high degree of evasion, it is excise duty.... The audit must yield larger revenues. It must be aimed at sectors, products or assesses who are known to be prone to tax evasion."

And yet, the latest available figures from the department of revenue show that January-end collections from excise duty were still about Rs 3,000 crore short of the budget target of Rs 1,30,220 crore. The underperformance especially stands out as the growth in overall direct and indirect tax collections bettered the budget estimate of 17 per cent by a good eight percentage points in the first eight months of 2007-08. The shortfall in excise collections compared to the budget target may not seem too alarming — the revenue department is confident of bridging the gap before the close of the fiscal on March 31 — but what is worrisome is that the growth rate of excise duty collections is still lagging behind that of the manufacturing sector's output. "Excise collection trend should normally mirror the growth trend in VAT. If excise in a product or industry is not mirroring the growth of VAT in that product or industry, then there is a problem that needs to be addressed," Chidambaram had addressed the gathering of the chief commissioners and DGs in July 2007. Echoing the concern over excise payments lagging behind manufacturing output, member of the economic advisory council to the prime minister, Saumitra Chaudhuri, says, "Excise collections are out of line with the manufacturing sector growth."

According to the records of the department of revenue, barely 90,000 units pay excise across the country, even though 3.5 lakh companies file corporate tax returns. Since large conglomerates such as L&T or ABB normally have multiple excise paying units, the number of companies paying excise duties would be still lower. Though the department of revenue refuses to provide even rough estimates of the scale or extent of the evasion, the relatively low number of excise paying units is a rudimentary but a fairly reliable indicator of the dodging of the tax by the manufacturing sector. With over 7 lakh companies filing annual returns with the registrar of companies, the scope for collections to go up is immense. (Though the services and other non-manufacturing companies amongst these do not need to pay excise duty.)

Tax sleuths of the revenue department say evasion is made easy by the floor-level annual turnover of Rs 1.5 crore before a manufacturer is required to pay excise duties. The premise being that companies, especially in the unorganised sector, suppress the declared turnover to below the threshold level to avoid paying excise duties. That is the reason, according to them, for more pronounced evasion amongst the small-sized companies relative to corporate giants. "The smaller, unorganised sector companies beat the system by not registering production in the books, clandestinely removing of output from the production premises and dealing purely in cash," says a revenue official not authorised by the department to speak on the record. It is not easy to dismiss his assessment given the number of units declaring a turnover of over Rs 1.5 crore a year (or about Rs 12.5 lakh sales a month) is barely 90,000. Not when, over 40 per cent of India's output comes from the small scale industry. The department of revenue says it suspects rampant evasion amongst steel makers, tile manufacturers, plastics wares fabricators and fur-

DUCK IT: A weekly plastic goods market depicting the unorganised sector where the word tax is smirked at

nace oil and gukta producers.

So what has stopped it from going after the scofflaws despite thinly veiled warnings from the finance minister? Could the politics around the imminent general elections have anything to do with the department falling short of swooping down on excise duty evaders, who constitute vote-banks capable of swinging elections? If it has cracked down on evasion in any sector other than the high duty-rate and politically-less-sensitive gutka industry, it isn't disclosing. The concerted raids against gutka manufacturers yielded about Rs 100 crore late last year.

Evasion, however, is not the only source of leakage from excise collections. Exemptions — doled out to woo lobies, of course, in the garb of incentivising a sector or attracting investments to a backward area — too are. If the small ones evade, the big ones harness batteries of consultants and lawyers to think up of ways to milk exemptions. Last year, for every five rupees the revenue department collected in direct and indirect taxes, it had to forego one to the multitude of excise duty exemptions. This loss has been rising. According to the ministry of finance, various exemptions on excise duties cost the exchequer Rs 66,760 crore (18.23 of gross tax collections in the year) in 2005-06. Revenue forgone to excise duty exemptions climbed to Rs 99,690 crore (21.31 per cent of gross tax collections in the year) in 2006-7. The figures for the current year, though not ready yet, are expected to be much higher. "The mass movement of industry units into excise duty exemption areas such as Uttarakhand and the North East is one of the prime source of slow excise collections," says Chaudhuri. Consultants who help companies plan their tax dues by making use of such exemptions vouch that the shift is indeed wide-spread. "Companies not based in exemption areas are feeling the pinch," says Satya Poddar, tax partner at E&Y. "Companies may not be uprooting plants but are heading into these areas at any opportunity for expansion or incremental investment." For example, to avail of the concession, GlaxoSmithKlien has begun packaging a significant range of its products in the backward states. And many pharma companies are following suit. A number of companies have restricted the relocation to just the last stage of production —packaging and labelling as opposed to full manufacturing. Prime candidates for relocation being high-tax products such as tobacco-based companies and gutka makers. The government has tried to plug the loophole over the last few weeks by requiring more value addition than just packaging and labelling to these states for eligibility for the exemptions. It has also disqualified tobacco-companies from the area-based exemptions. Even then, experts insist that the tax holidays to industries set up in backward areas should be axed. There is little sense in choosing Uttranchal over Maharashtra for incentivising investments, they argue. Mumbai is a rich pocket in Maharashtra, but Vidarbha in the same state is no less deserving of the benefit than the poorest district of Uttranchal.

Below Expectations

Revenue collections from excise duties are lagging behind economic growth

	Apr-Nov 2006	Apr-Nov 2007	% Growth	Budget target*
Customs	Rs 57,050 cr	Rs 66,838 cr	17.2	Rs 98,770 cr
Excise tax	Rs 69,957 cr	Rs 75,013 cr	7.5	Rs 1,30,220 cr
Service tax**	Rs 18,792 cr	Rs 25,420 cr	35.3	Rs 98,770 cr
Total indirect taxes	Rs 1,45,799 cr	Rs 1,67,271 cr	14.7	Rs 50,200 cr
	Apr-Jan 15, 2007	**Apr-Jan 15, 2008**	**% Growth**	**Budget target***
Total direct taxes	Rs 1,52,993 cr	Rs 2,67,490 cr	40	Rs 2,67,175 cr

*For 2007-08 ; ** Service tax figures are up to Oct 2007

Source: Ministry of Finance

According to Poddar, other potential sources for the lower growth in excise collections include the significant rise in investments by manufacturing units, which is spurring cenvat credits. To avoid double payment of taxes across the value chain, the excise duty charged on inputs can be credited against the dues under these two heads by a manufacturer. "If investment grows faster than the growth in GDP, cenvat credits will erode the excise duty collections," he says. The over 35 per cent growth in investment has outperformed the GDP growth rate of under 10 per cent. Chidambaram too points out the a significant change in the pattern of excise duty collections in fiscal 2006-07 whenever the credits claimed for investments have risen sharply: "It is difficult to draw any conclusions on this at this moment. It has happened for the first time last year. We will see what happens this year. There may be misuse of Cenvat credit," assuring at the same time any misuse of cenvat credit would be clamped down. Another credit on excise payments on the rise is the one manufacturers get against payments of service tax. Since service collections are creditable against excise duty dues, rising revenues from the former naturally imply some dips in the latter.

The plethora of such concessions had prompted the prime minister to declare at an Assocham seminar last year: "Our tax regime should not have too many exemptions." Presenting his last budget before the general elections Chidambaram may not find it easy to give them the boot or launch a crackdown on evaders. Looks like cracking India's excise duty-economic growth mismatch would need the revenue department to test its ingenuity.

puja.mehra@abp.in

Fading To Black

by srikanth srinivas

PARTICIPATION IS THE ROOT OF THE EXISTENCE of financial markets, as someone observed several years ago. Who can participate, and how, differs based on location. But it begins with an initial public offering (IPO). Over the last few months, we have seen some very aggressive buying of IPOs, even when they may have been too highly priced. Sentiment — expectations about asset values unwarranted by fundamentals — has driven retail purchases of IPOs to extraordinary levels. Investors have been willing to overpay because of high first-day listing and after-market returns; and the activity in the so-called grey market has played a role too.

Making grey markets in equities legal, like in some other countries, might get them to play a useful role

But last week, several media reports suggested that there had been a settlement crisis as transactions in the grey market for Reliance Power — by far the most hyped IPO in recent times. High net worth individuals (HNIs) — or the bigger retail investors who have money to burn — were among the biggest losers. Poor post-listing prices, combined with a yo-yo-like secondary market, has caused the grey market in IPOs to come to a standstill.

The promoters of Reliance Power are now seeking to assuage investors' ire by an issue of bonus shares — ostensibly to reduce the cost of acquisition for non-promoter investors. While the actual bonus share ratio has not yet been worked out or approved by the company's board of directors, the measure may mute some of the criticism. But, should companies making IPOs support grey market investors? Or, should we be looking for ways to bring this market out of the shadows?

Other countries, particularly in Europe — Germany and the United Kingdom — have a legal grey market, called an 'as, if and when-issued market' or 'when-issued market'. And participation in these markets is not automatic. On the London Stock Exchange, for instance, when-issued trading is only available at the request of a member firm. Most often, the sponsoring broker submits such an application.

For when-issued markets, share issues have to be larger than a hundred million pounds. When-issued transactions are considered conditional, because settlement is contingent on the stock actually being issued and traded on the exchange. If the stock never opens for trading in the secondary markets — if it is cancelled, for instance — all when-issued trades are void. Products typically traded in these markets are new issuances of stock, but treasury securities, bonds, and stock splits can all participate if requested and approved.

The when-issued market usually functions for six to eight days before the first day of trading on the exchanges after listing. In this time, trades are received and charted, but not settled until listing on the exchange actually occurs and trading commences. The earliest settlement date for when-issued transactions is the first day of official listing. Upon full offering of the securities, the previous when-issued trades are executed through order books.

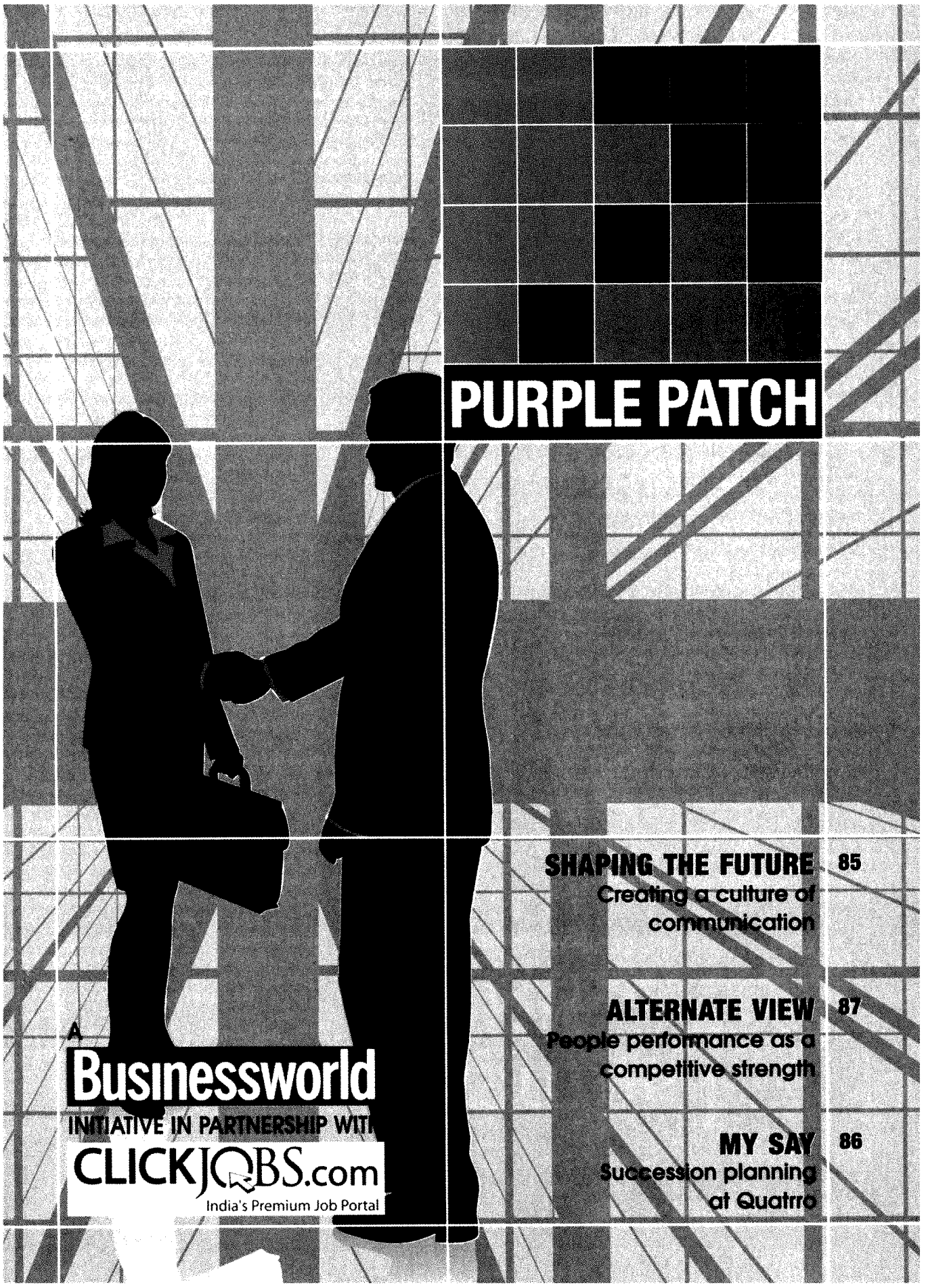
So what purposes does the when-issued market serve? One is estimating investor demand for the stock, and two, it helps assess what price investors are willing to pay. In the Indian context, of course, the price band for the issue is included in the offer documents. If the level of interest is gauged to be too low — usually an IPO issuer likes getting a high valuation — the issuer can choose to withdraw the issue, since the company's prospects for future capital issues would depend on the first one doing well.

The three IPOs that were withdrawn — Wockhardt Hospitals, Emaar MGF Land and SVC Constructions — may have all benefited from a formal when-issued market; they could have saved huge transaction costs, incurred when they collected subscriptions that eventually had to be returned to investors.

An important aspect of the formal when-issued market is that some investors will be short — they would be sellers of stock that is yet to be issued. They are likely to be institutions, since individuals are not permitted to short-sell. The Securities and Exchange Board of India (Sebi) has already issued draft guidelines on short-selling, which makes things easier in setting up a formal when-issued market.

Very soon, we are likely to see when-issued markets in government securities and bonds here, along the lines of the one in the US; the Reserve Bank of India (RBI) has talked about the idea, and senior RBI officials have discussed it in public forums too. It will be a useful test drive of the idea. Perhaps, Mr Bhave might want to consider it. It might just set the right note to begin his tenure as chairman of Sebi.

srikanth.srinivas@abp.in



PURPLE PATCH

SHAPING THE FUTURE 85
Creating a culture of communication

ALTERNATE VIEW 87
People performance as a competitive strength

MY SAY 86
Succession planning at Quatrro

A
Businessworld
INITIATIVE IN PARTNERSHIP WITH
CLICKJOBS.com
India's Premium Job Portal

BOOST YOUR TALENT WITH A CAREER IN ENERGY

With 61,000 employees in over 100 countries, AREVA offers customers reliable technological solutions for CO2-free power generation and electricity transmission and distribution.

AREVA's T&D division is an active player around the globe. It designs, manufactures and supplies a complete range of equipment, systems and services for all stages in the transfer of electricity, from the generator to the large end user.

We are looking for candidates for the following positions:

>> Unit Finance Controllers - Noida / Chennai / Bangalore

A Chartered Accountant or MBA Finance, from any premier management institute with 10 - 15 years experience. Experience in ERP systems and good Project Management skills will be an added advantage.

UFCs will be a key business partner to the Operation Leader. The candidate should have a global vision on units financial KPIs, provide through analysis to support Management decisions and reporting of financial data.

>> Manager Receivables - Noida / Chennai / Mumbai / Kolkata / Bangalore

A Chartered Accountant or ICWA with 6 - 8 years experience. Experience in ERP systems and good Project Management skills will be an added advantage. The position requires expertise on receivable management for internal and external customers. The candidate will be required to strengthen the unit's cash position, improve deliveries, focus on export realization, realization of penalties, handle contract related statutory issues.

>> Manager - Finance - Noida / Chennai / Mumbai / Kolkata / Bangalore

A Chartered Accountant, ICWA or MBA (Finance) with 4 to 7 years experience in a large manufacturing or a project organization, having through exposure in budgeting and forecasting. Experience in SAP (FICO) environment will be an added advantage.

For all the above positions the candidate must have a strong business orientation, in-depth knowledge of the function, ability to work with cross functional team and strong analytical and good communication skill.

Interested candidates may send their resume to Suresh Pillai at AREVA T&D, 457, Anna Salai, Teynampet, Chennai - 600 018 or mail to suresh.pillai@areva-td.com

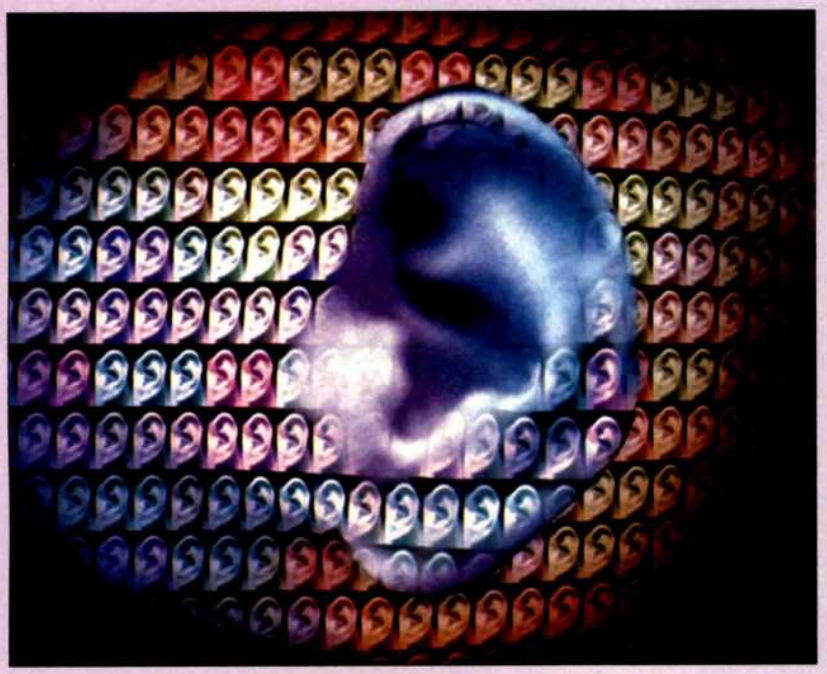
www.areva.com
www.areva-td.com

AREVA

We believe in a new India
where energy is the driving force

SHAPING THE FUTURE

Creating a culture of communication



Effective communication leads to employee engagement translating into higher profits

How often do you open the newspaper and find a headline grabbing initiative from your company that you did not have any inkling about? Do not be surprised. The truth is that the percentage of companies sharing how their actions affect their employees or how employee action affects the customer is still abysmally low.

And yet, at every HR forum, loads of research is pulled out to show how effective communication leads to higher employee engagement in companies. A 2007-08 communication ROI study by global consulting firm Watson Wyatt Worldwide says that "firms that communicate effectively are four times more likely to report higher levels of employee engagement as compared to firms that communicate less effectively."

The study had surveyed the communication practices of 264 companies and had found that a significant improvement in communication effectiveness is associated with a 15.7 per cent increase in its market value. It also found that companies with the most effective communication programmes had a 47 per cent higher total return to shareholders from 2002 to 2006.

So, how can an organisation effectively communicate. "It's the leadership's job," says Sanjiv Kataria, former head of communications and marketing services at NIIT. Kataria argues that it's the management's responsibility to share vision, target and goals and make sure that "there is enough elevator talk happening" to increase motivation. There is nothing more effective than face-to-face contact, he believes. At the same time, it is equally important to have an open door policy, he says, citing the example of NIIT where the only doors that have a lock on them are the personal records room and the central server room.

At another outsourcing and technology company Xansa, communications is taken as a collective responsibility of the organisation at large, although it is driven by HR and corporate communications. "On the whole, effective communication is a two-way process which includes management involvement and timely intervention and employee feedback and suggestions," says Vikram Karayi, senior vice-president of HR at Xansa.

At Bangalore-based MindTree Consulting, communication is strongly HR driven and is one of the seven pillars of its employee engagement initiative *'Welcome'* where *w* stands for work environment, *e* for empowerment, *l* for learning, *c* for communication, *o* for organisational culture, *m* for management team and *e* for equity.

According to Puneet Jetli, vice-president (People Function) at Mindtree Consulting, communication at the organisation has to happen at many levels for successful relationships. Even as chairman and managing director, Ashok Soota sends out periodic snapshots of what's happening internally and externally and shares his own objectives for himself as well as the larger organisation, there is bottoms-up and peer-to-peer communication taking place within the organisation at all times. Then there is external communication involving

stakeholders, clients and customers. As Jetli says the learning is that "You have to communicate. Withholding information is no source of authority or power."

Internal Communication: In a small-sized company, Jetli points out that stand-up communication takes place easily enough. But for a mid-sized or large-sized company which operates at multi-locations, the challenge of keeping every employee in the loop is much tougher.

But today's companies have the advantage of the internet and intranet. At MindTree, the intranet is used very effectively to communicate all happenings, using a combination of text, multimedia, video and webcasts. Big events like quarterly meets are webcast live and streamed out to all employees' desktops. "We have a former television reporter with us who is spearheading this effort," says Jetli.

Xansa's Karayi too, points out how magazines, newsletters and e-zines keep its employees informed and aligned towards the overall organisational objectives. For instance, there is *Xpression*, a print magazine shared with employees on a quarterly basis, *Contact* a monthly e-zine for all employees across geographies and *Newswire*, a monthly webzine conceptualised to create and enhance awareness, involvement and engagement.

External Communication: Apart from the communications issued to media or public at large, MindTree makes an effort to reach out to all its identified stakeholders. Among these are the extended family also. "One of the things we do, the moment people join Mindtree is to get them to register their spouse or parents' addresses with us. We then send out a welcome letter to them," says Jetli pointing out how the extended family continues to get missives from the company. Periodic newsletters update the employee's family members about the work that is done at the company, the environment and so on.

For other stakeholders, which may include those who are part of the supply chain, or educational institutions, MindTree conducts events called Confluence. Here it shares industry trends or information compiled on topics of mutual interest.

Xansa's Karayi says that to reach out to its external audience, the company participates in industry forums organised by Nasscom, AIMA etc and makes its presence felt at various management institutes and engineering colleges. "We also actively take part in media stories, thus creating visibility and ensuring that our key messages are aptly picked up by our external audience," he says.

Bottoms up Communication and peer-to-peer communication: Successful companies ensure regular grievance addressal forums and facilitate peer-to-peer communication. At MindTree, its open-door culture focusing on the three A's – access, attention and agility – ensures that there is a lot of bottoms-up communication happening, where every employee has a voice that is heard. This is epitomised by its 95:95:95 vision, which says that 95 per cent of the people, 95 per cent of the time should have access to 95 per cent of information.

Apart from these communication activities, today's successful companies are also measuring the impact of their communication programmes and mapping results.

Today communication is no longer defined as a flow of information between people. Instead, for forward thinking companies, it is the process of *"creating, shaping and maintaining relationships and enacting shared values, common culture, agreed goals, and means for their achievement."*

For comments and feedback on this article reach us at: purplepatch@bworldmail.com

MY SAY

S.Varadarajan: Succession planning at Quatrro

S. Varadarajan, EVP & chief human resources officer, Quatrro BPO Solutions (P) Ltd.

Succession planning at Quatrro is a deliberate and systematic effort to ensure leadership continuity, to retain, develop intellectual and knowledge capital for the future, and to encourage individual advancement.

- **Q-PEP:** Quatrro's Performance Effectiveness Program (Q-PEP) is contemporary and is effective in measuring the achievement of goals for employees. It is also an indicator used to measure the extent to which an employee 'lives' the Quatrro values. Q-PEP ensures an objective assessment of performance and potential. This forms the foundation of Quatrro's succession planning program.
- **Reflections:** Quatrro's 'Reflections' is an intense feedback program which allows a leader to get feedback from their reportees, peers and supervisor directly. This not only helps in understanding the style of management, and therefore lead better, but also works as a decisive factor in the short-listing process for succession planning at Quatrro.
- **Q-TPCR:** The validated qualitative input from Q-PEP is utilised extensively in this interactive Quatrro Talent Potential and Criticality Review (Q-TPCR) exercise which forms the core of succession planning program at Quatrro. The succession plan is based on parameters like *Sustained Performance* (based on performance ratings from Q-PEP) and *Potential to Lead*, (based on scores on factors like Criticality of Role, Rarity of Skill Set). Other parameters include acceptability at a peer and reportee level, feedback in Reflections, etc. The senior leadership at Quatrro takes part in this critical exercise actively to identify and develop the future leaders of Quatrro.

ALTERNATE VIEW

People performance as a competitive strength

Pravin Tatavarti

Every CEO of a company indicates that people are the most important asset of the company. All surveys conducted by various organisation repeatedly indicate that people-issues are the No.1 challenge for any CEO. With so much focus on people, then why are so many employees unhappy with their jobs? Why are the managers not able to get the best out of employees? Every seminar and research in India indicates that there is shortage of talent but the real question is- "Are we using and building on the talent available well?"

In these hyper-markets of talent shortage with companies growing at scorching pace, the company's success is dependent on talent. We have great examples of Google and Microsoft who have build successful businesses by unleashing the true potential of people and getting them to give their best.

The issue and impact of people performance is not limited to knowledge intensive business. Even in an industry like infrastructure for example, a construction worker can bring the cost by working for full eight hours and reducing re-work. Today the lack of performance is tackled by throwing more people to the problem. We continue seeing people as 'cost' and not as an 'investment'. This is true even in non-knowledge intensive industries.

As more and more companies understand the impact of HR on their bottom lines, identifying the programmes that improve employee performance can become a sustainable competitive advantage. Given the serious consequences of employee performance, organisations need to understand the performance drivers and which needs to be done with great precision and accuracy.

Current performance management systems have become annual ritual exercise undertaken to determine salary raises, bonus and for finalising the development plans. The key effective drivers of performance however, are de-emphasised in a traditional performance

management system and the whole exercise ends up with no impact to business.

Performance improvement is not about replacing low performers with high performers, and getting a new composition of work force but it is all about getting more from the same work force, or getting more from an individual employee. The drivers of employee performance are completely different from retention and recruitment.

There is a definitive role of skills and knowledge of an employee and there are significant opportunities for employers to increase the performance levels of employees. Today organisation face three major challenges in formulating strategies for improvement of performance:

a) Lack of empirical evidence of what drives performance
b) Making employee performance a business issue
c) Training being the answer for all issues of performance.

Organisations can start identifying the performance drivers by conducting surveys which address all facets of organisations' performance systems including the manager's quality, organisational context, on the job developments and training and day to work. This can be further supplemented by data points on high performers.

Performance can be improved in one of the two ways. First, performance can be improved directly by providing employee with tools, information and resources.

And second, performance can be improved indirectly by affecting the attitudes that drive performance.

Dramatic increase in employee performance is possible by changing the way employees think about themselves, their jobs and organisations. Organisations need to create performance improvement strategies that convince employee to work harder (discretionary effort), make him believe in the organisation (commitment) increase his confidence in doing the job (match with job), provide necessary information and resources (resources), every one cares and puts his best in the job (team), ensure that employees enjoy and are satisfied with their job (job satisfaction) and share necessary opportunities to grow in the organisation (intent to leave).

The ultimate objective is to direct our investments which can drive performance and, take decisions which enable organisations to achieve higher levels of performance. The effectiveness of employees can be greatly enhanced by taking the above approach and can have significant business impact.

The author is managing director of Allegis India

For comments and feedback on this article reach us at: purplepatch@bworldmail.com

READ IN NEXT ISSUE

Getting the right human resource to man a company's business objectives is a constant tug-of-war between the business functions and the HR department. However, often lost in this battle is the market reality of where 'Talent' market is headed and as well as how the 'context' is transforming.
Beginning next month, *Purple Patch* brings to you a series of HR Trends that companies are likely to experience in 2008 and thereafter.

EMPLOYER SPOTLIGHT

Mavenir Systems is an US-based Innovative R&D company focused on developing products in wireless multimedia and converged networks. We are based in Richardson, Texas and are looking for talented engineers to work in a fast-paced environment. Mavenir Systems develops solutions in the telecom core network area. It delivers innovative convergence services to any device by bridging core and access network generations.

TELECOM R&D ENGINEER - CORE NETWORK

Job profile: Development knowledge in IMS, GSM/UMTS, CDMA core network area (not access). VoIP, SIP and Megaco knowledge is required as well
Experience: 2-5 years
Location: Bangalore
E-mail: gudla@mavenir.com
Job code: CJ175441

SENIOR JAVA/WEB APPLICATION DEVELOPER

Job profile: Develop J2EE applications with emphasis on web applications for telecom core network. At least 5 years experience in Java/J2EE development
Experience: 5-10 years
Location: Bangalore
E-mail: gudla@mavenir.com
Job code: CJ175479

Club One Air, the fractional ownership program of Club One Air, is India's first. It aims to give corporate India its very own premier airline for the exclusive use of its owners.

CEO

Job profile: Professionals having 10 plus years of experience with demonstrated ability of managing similar startup ventures in the past with strong inclination towards culture building may apply for this position
Experience: 10-20 years
Location: Delhi
E-mail: murli@cluboneair.com
Job Code: CJ175620

GM-MARKETING

Job profile: Responsible for creation and managing marketing budgets/spends, creation and development of various collaterals for product verticals
Experience: 10-15 years
Location: Delhi/NCR
E-mail: murli@cluboneair.com
Job Code: CJ175350

Wipro Technologies is a global provider of consulting, IT services and outsourced R&D, infrastructure outsourcing and business process services.

APPLICATION ANALYST

Job profile: Will be involved in deployment and integration of OVO and NNM with various other tools in Applied Environment
Experience: 6-10 years
Location: Bangalore
E-mail: manager.career@wipro.com
Job code: CJ175446

SENIOR PROJECT LEADER

Job profile: Consultants with 4-6 years extensive experience in IT and 4+ years as a PeopleSoft techno-functional consultant
Experience: 4-6 years
Location: Kolkata
E-mail: manager.career@wipro.com
Job code: CJ175447

MAINFRAME LEAD

Job Profile: Should have more than 5 years experience in developing project using COBOL, JCL, CICS, DB2, VSAM
Experience: 4-6 years
Location: Kolkata
E-mail: manager.career@wipro.com
Job Code: CJ175452

GNG was first established as a trading company, in 1996, which gradually became a subcontractor in power transmission and distribution projects and currently has the complete capacity to perform as a main contractor to carry out not only turnkey power projects but also energy engineering projects and other related manufacturing activities.

ASSISTANT MANAGER - FINANCE

Job Profile: Responsible for general ledger accounting & reconciliation, budget preparation and monitoring variances, taxation accounting and compliance with all internal and external statutory requirements
Experience: 3-8 years
Location: Gurgaon
E-mail: finance@gnggroup.com
Job Code: CJ152247

SENIOR MARKETING EXECUTIVE

Job Profile: To seek appointments and attend to large contractors, PSUs such as L&T, Siemens, KLG Systel, Gammon and Power Grid, Rites, NHPC, NTPC & contractors of Railways, Defense, CPWD respectively
Experience: 2-5 years
Location: Gurgaon
E-mail: marketing@gnggroup.com
Job Code: CJ168917

Stone & Webster Rolta Limited

Stone and Webster Rolta Limited (SWRL), is one of the fastest growing engineering, procurement, and construction management companies in India, providing high value engineering services to a large number of customers in India and across the globe.

CIVIL/STRUCTURAL DESIGNERS

Job Profile: Should have experience in design, engineering for hydrocarbon processing industry, refinery or power plant
Experience: 5-20 years
Location: Mumbai
E-mail: pawan.ahuja@shawgrp.com
Job Code: CJ144906

SENIOR STRESS ENGINEERS

Job Profile: Should perform pipe stress analysis for new projects and existing facilities. Review of existing and design of new pipe supports as necessary per project requirements
Experience: 5-15 years
Location: Mumbai
E-mail: pawan.ahuja@shawgrp.com
Job Code: CJ144904

Sage Technologies, India's leading housing

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

finance institution and The Standard Life Insurance Company, a leading provider of financial services from the United Kingdom, both promoters are well known for their ethical dealings and financial strength.

SALES DEVELOPMENT MANAGER

Job Profile: The role involves to form & lead team of 8-10 members. Hire team of agents & advisors, rain them, and manage to generate the life insurance business
Experience: 1-5 years
Location: Solapur
E-mail: gchaturvedi@sagetl.com
Job Code: CJ175205

SAP CONSULTANTS

Job Profile: SAP professionals with a minimum of 2+years of experience in SAP R/3 all module and new dimension like CRM/SRM/SEM/APO/Basis and ABAP
Experience: 2-20 years
Location: Delhi, Mumbai & Chennai
E-mail: resume_rpo@sagetl.com
Job Code: CJ163050

ekartha
innovation is simplicity

Ekartha is a US-based software development company which provides software products and services in the area of On-Demand-Software or Software-as-a-Service (SaaS).

PLATFORM DEVELOPER (J2EE)

Job Profile: You will participate in designing and building a platform for on-demand and SaaS enabled software
Experience: 5-8 years
Location: Pune
E-mail: jobs@ekartha.com
Job Code: CJ138568

QA ENGINEER

Job Profile: You will be responsible for ensuring that Ekarthas software meets stringent quality standards
Experience: 2-8 years
Location: Pune
E-mail: jobs@ekartha.com
Job Code: CJ136258

BUSINESS ANALYST KPO

Job Profile: As a Business Analyst, you will be working on our loan product, which is a web-based search engine especially designed for the home loan market in the US
Experience: 0-3 years
Location: Pune
E-mail: jobs@ekartha.com
Job Code: CJ138400

KRISH IT SOLUTIONS

Krish IT Solutions Private Limited, based at Chennai, India, is an offshore solution delivery center for SAP implementation.

SAP BUSINESS ONE CONSULTANT

Job Profile: SAP Business One consultant with minimum 2 implementation expereince required within SAP Business One
Experience: 5+ years
Location: Chennai
E-mail: prem@krishtechnologies.com
Job Code: CJ163610

SAP MM

Job Profile: The consultant should done minimum one end-to-end implementation
Experience: 2-5 years
Location: Delhi & Kolkata
E-mail: info@krishtechnologies.com
Job Code: CJ136544

SITEL

Sitel is a global Business Process Outsourcing leader. Sitel meets clients customer care and transaction processing needs through 65,000 associates in 28 countries.

CUSTOMER SERVICE PROFESSIONAL

Job Profile: Should have 6 months of experience in call center (domestic voice or ICC)
Experience: 0-3 years
Location: Mumbai
E-mail: vinod.sreenivasan@sitel-india.com
Job Code: CJ170942

TEAM LEADER

Job Profile: Should manage a team of 15-20 CSAs for a domestic insurance process
Experience: 2+ years
Location: Mumbai
E-mail: sourabh.mishra@sitel-india.com
Job Code: CJ169126

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

Explore exciting opportunities in

Advertising/Market Research, Sales & Marketing, Engineering & Clinical Research

TEAMWORX Consulting

Teamworx Consulting specializes in media, sales, marketing and research as well as in engineering. With the philosophy of ensuring satisfaction to both clients and candidates, Teamworx has a committed set of professionals who believe in applying process and in building lasting relationships. Based in Bangalore, Teamworx has a growing set of clients across the country.

Contact: Deepak or Sapna
Email: jobs@theteamworx.com Phone: 080-25211973/975 Fax: 080-25211974

CONSULTANT SPOTLIGHT

Cornerstone India is a member firm of Cornerstone International Group, a consortium of executive search and consulting firm with approximately 100-member offices strategically positioned in virtually every key business centre of the world. It is a retained executive search firm that specialises in CEO & CXO level searches and HR consulting services across the globe in partnership with members of Cornerstone International Group. In line with our growth plans we would like to invite proposals of interest for the following positions.

PRACTICE LEADER

Job profile: Effective executive search requires hands-on leadership skills in the markets you will serve along with excellent networking skills, in-depth knowledge of the market, its key players and ability to translate the leads into business. Key result areas will include building and managing the respective practice/vertical on profit & loss basis as well as providing direction and inputs to the respective teams under you
Experience: 12-15 years
Location: Mumbai, Delhi & Bangalore
E-mail: akila@cornerstone.co.in
Job code: CJ170108

KEY ACCOUNT MANAGER

Job profile: You will build and work with key clients to create solid account relationships that maximise annual revenue and translate into repeat business. You will be responsible for client relationship management, specialty practice groups and business development. You will also execute search assignments on timely basis in a fast paced environment
Experience: 7-10 years
Location: Mumbai, Delhi & Bangalore
E-mail: akila@cornerstone.co.in
Job code: CJ170109

CONSULTANT/RESEARCH ASSOCIATE

Job profile: You will support senior members on research projects and data collections, scan relevant sources daily to keep senior members informed on people and firms. Strong headhunting and internet searching skills is preferred. You will execute research projects on timely basis in a fast-paced environment. You will also interact with clients and candidates for smooth assignment execution. You will possess strong IT skills including: Excel, Word and be very comfortable with internet
Experience: 2-5 years
Location: Mumbai, Delhi & Bangalore
E-mail: akila@cornerstone.co.in
Job code: CJ170110

MERU

Meru Consultants & Technologies founded by experienced senior management professionals from pedigree institutions provides top management executive search to leading Indian companies/MNCs across functions and industry.

CHIEF EXECUTIVES

Job profile: Topnotch infrastructure professionals for power, water, shipbuilding, dredging, railway, ports, real-estate, heavy engineering for positions with leading business groups
Experience: 20-25 years
Location: Several
E-mail: bhaskar@meru.co.in
Job Code: CJ172300

MD/CEO/COO/CFOS

Job profile: Only premier B-Schools, 83-90 batch and CA rank holders (for CFOs) for various large/emergent companies in FMCG, telecom, consumer services and durables, infrastructure sectors
Experience: 18-25 years post MBA
Location: Metros
E-mail: bhaskar@meru.co.in
Job Code: CJ172302

Options
EXECUTIVE SEARCH PRIVATE LIMITED

Options Executive Search Pvt. Ltd. started in the year 1992 in Hyderabad, by providing a personalised touch to the professional service of finding the right person for every job, by ensuring the right job for every person.

HEAD LIFE SCIENCES

Job profile: Responsibilities include leadership and management of life sciences group which comprises of clinical and regulatory units
Experience: 8-10 years
Location: Chennai
E-mail: vishu@optionsindia.com
Job code: CJ175826

ORACLE FUNCTIONAL CONSULTANT

Job Profile: Strong Oracle Financial Functional Consultant who needs to have good implementation experience
Experience: 3-6 years
Location: Muscat
E-mail: vishu@optionsindia.com
Job Code: CJ173466

Mastermind Network came into existence as premier management consultants in the year 1994. The company specialises in senior and middle management placements for companies operating across different industries. Over the past 11 years, the company has shown a consistent growth in terms of numbers of placements & revenue turnover.

AVP-IT RECRUITMENT

Job Profile: Analysis & forecasting of manpower requirements in line with organisational business objectives, strategising & planning the recruitment model to meet hiring targets
Experience: 9-14 years
Location: Gurgaon
E-mail: deepti@mastermindnetwork.co.in
Job Code: CJ175131

DIRECTOR FINANCE

Job Profile: Integrate global accounting & reporting systems; ensure strict compliances to statutory Indian and US GAAP requirements
Experience: 12-17 years
Location: Gurgaon
E-mail: deepti@mastermindnetwork.co.in
Job Code: CJ175130

SUVEN CONSULTANTS

Suven Consultants was established in March 2005 with a view to contribute fruitfully to the diversifying and growing Indian corporate market in terms of meeting their human resource requirements.

PRODUCT EXECUTIVE

Job profile: The incumbent would be involved in

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

activities like market research, product analysis, branding, post-launch market research of product
Experience: 1-3 years
Location: Mumbai
E-mail: suven_consultants@rediffmail.com
Job Code: CJ174407

COMMERCIAL EXECUTIVE
Job profile: Should prepare monthly O & M billing as per the contract and dispatch the same to the customers on time
Experience: 2-4 years
Location: Mumbai
E-mail: suven_consultants@rediffmail.com
Job code: CJ173799

capparris nest

Capparris Nest Enterprises provides HR/placement consultancy services to IT, engineering, automobiles and retail sectors. We have a strong network between jobseekers and employers.

TECHNICAL SUPPORT ENGINEER
Job Profile: Should have strong debugging/trouble-shooting skills, database experience, specifically Oracle and MS SQL
Experience: 1-2 years
Location: Chennai
E-mail: resume@capparrisnest.com
Job code: CJ174468

SAP-CRM TECHNICAL CONSULTANT
Job Profile: Should have strong knowledge in ERP, CRM-support engineer
Experience: 3-5 years
Location: Chennai
E-mail: resume@capparrisnest.com
Job code: CJ175653

AccuLogix

Acculogix is fast becoming the source of 'change' for highly skilled professionals in India with a client list of Fortune/CMM level 5 companies.

SENIOR BREW DEVELOPER
Job profile: Should have experience in developing and trouble-shooting BREW application
Experience: 5-8 years
Location: Bangalore
E-mail: rupa.acculogix@gmail.com
Job Code: CJ175227

PROJECT MANAGER FOR E-LEARNING
Job profile: Worked on e-Learning projects with knowledge on processes for instructional design, technology, project management, people management
Experience: 6-8 years
Location: Delhi, Mumbai & Chennai
E-mail: rupa.acculogix@gmail.com
Job Code: CJ175228

GRAPHIC DESIGNER
Job profile: Knowledge in design and image manipulation, Adobe Illustrator CS, Corel Draw, Adobe Photoshop CS, Adobe Image Ready CS, Paint Shop Pro, 2D Animation Macromedia Flash MX2004. Operating System, Windows 2000, XP
Experience: 5-8 years
Location: Coimbatore
E-mail: rupa.acculogix@gmail.com
Job Code: CJ175231

Career™ Avenues

Career Avenues, a team of professionals with an in-depth understanding of roles and resposibilities of positions in various functions and at all levels.

RELATIONSHIP MANAGER - GROUP INSURANCE
Job Profile: Would be responsible to source group sales insurance business for a leading well established insurance company
Experience: 2-5 years
Location: Nagpur
E-mail: sushma@careeravenues.net
Job Code: CJ175736

SALES MANAGER
Job Profile: The candidate would be making a team of advisors and will be responsible for achieving targets as set by the company
Experience: 2-10 years
Location: Ahmedabad, Baroda/Vadodara & Surat
E-mail: sandhu@careeravenues.net
Job Code: CJ175663

Plus

Plus HRMS has been retained by several leading companies, both Indian and multinational, to service their human capital requirements.

INFORMATION SYSTEM ANAYST
Job Profile: Should understand functional requirements, translate the same in technical terms and develop and enhance the program
Experience: 2-4 years
Location: Mumbai
E-mail: dhayalan@plushrms.com
Job Code: CJ175397

CHASSIS SUSPENSION DESIGN
Job profile: Should have very good knowledge in CATIA V5, kinematics, suspension modeling and packaging
Experience: 2-5 years
Location: Bangalore
E-mail: saravanan@plushrms.com
Job code: CJ175178

Corp Placements

Corp Placements, founded in 2003 by highly qualified, trained, experienced and accomplished management professionals, have grown to become one of the leading permanent recruitment services operating out of Bangalore, India.

MAINTAINENCE MANAGER
Job Profile: Will be taking responsibility of production and maintenance both as it is mostly mechanical activity
Experience: 3-5 years
Location: Chennai, Coimbatore & Erode
E-mail: anu@corpplacements.com
Job Code: CJ175703

PROJECT MANAGER
Job Profile: Should have domain experience in telecommunication application software
Experience: 8-10 years
Location: Bangalore
E-mail: anu@corpplacements.com
Job Code: CJ174962

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

JOBS IN SALES

- **MARKETING ASSISTANT**
  Company: Apex Tubes Pvt. Ltd.
  Job profile: Recognising and collecting business leads through personal visits, advertisements, tenders, newspapers, journals etc. Dealing with customers and attending to their queries, Receiving enquiries, preparation and submission of offers/quotations, following up on the submitted offers
  Experience: 2+ years
  Location: Delhi, Gurgaon, Jaipur & Alwar
  E-mail: jobs@apextube.com
  Job Code: CJ173705

- **MANAGER MNC LIFE INSURANCE CO.**
  Company: BP Incorporate
  Job profile: Recruit develop and train a team of team members for selling life insurance policies, create strategies for growth in sales volumes in existing markets & identify new markets for establishing presence & generate enhanced business opportunities
  Experience: 2-7 years
  Location: Delhi, Kolkata, Bangalore, Hyderabad, Pune, Faridabad, Gurgaon & Hisar
  E-mail: skc.bpinc@gmail.com
  Job Code: CJ172729

- **SALES OFFICER**
  Company: MNC Placements
  Job profile: Candidate will be responsible for achieving sales objectives and customer relationship management
  Experience: 1-5 years
  Location: Delhi, Gurgaon & Noida
  E-mail: mncplacements@gmail.com
  Job code: CJ173965

- **RELATIONSHIP MANAGER**
  Company: 24x7 Corporate Solutions
  Job profile: Includes comprehensive financial planning & asset allocation and accordingly advising clients on investment products, viz. mutual funds and insurance
  Experience: 3-6 years
  Location: Chennai & Mysore
  E-mail: unnikrishnan.r@24x7cs.com
  Job code: CJ175675

- **SENIOR SALES MANAGER**
  Company: Capparris Nest Enterprises Pvt. Ltd.
  Job profile: Should take care of entire sales and marketing of pneumatic and electromechanical systems, components and controls
  Experience: 10-14 years
  Location: Bangalore
  E-mail: resume@capparrisnest.com
  Job code: CJ174389

- **BUSINESS DEVELOPMENT EXECUTIVES - SOFTWARE**
  Company: Corporate Consultancy Services Pvt. Ltd.
  Job profile: Responsible for back-end marketing, experienced in preparing RFP, making cold calls and having excellent communication
  Experience: 4-9 years
  Location: Bangalore & Mysore
  E-mail: jobs@ccspl.net
  Job code: CJ175643

- **BRANCH SALES MANAGER**
  Company: Siddhivinayak Services
  Job profile: Candidate must be from the insurance background with complete 4 years experience in insurance sales with team handling
  Experience: 5-7 years
  Location: Mumbai
  E-mail: siddhivinayak.services@gmail.com
  Job code: CJ175634

- **RELATIONSHIP MANAGER**
  Company: Envisage Advisory Services India Pvt. Ltd.
  Job profile: He should have good knowledge of mutual funds, life and general insurance, good presentation and communication skills
  Experience: 0-1 years
  Location: Bangalore
  E-mail: info@envisage.net.in
  Job code: CJ163857

- **FREELANCE BUSINESS DEVELOPMENT (STAFFING)**
  Company: Askexim Services Private Limited
  Job profile: Must have strong networking with recruitment/HR personnel, preferably with senior management executives/decision makers, in software/engineering/non-IT companies in India
  Experience: 1-10 years
  Location: Delhi, Mumbai & Chennai
  E-mail: freelancer@askexim.in
  Job code: CJ173467

- **SALES EXECUTIVE**
  Company: Hitech Placements
  Job profile: Responsible for sales targets achievement, customer problem solving, strong work commitment and people management ability
  Experience: 1-2 years
  Location: Bangalore
  E-mail: padma@hitechmanpower.com
  Job code: CJ175416

- **SALES MGR APPLIANCES**
  Company: Ada Recruitment Solutions
  Job profile: Should have hardcore sales experience in sales & marketing of consumer durables/appliance/automobile accessories
  Experience: 3-6 years
  Location: Bangalore
  E-mail: darga@eth.net
  Job code: CJ172619

- **AREA SALES MANAGER**
  Company: Client of HR4NATION
  Job profile: Responsible for meeting sales targets within company policy, market information, market share analysis, competition monitoring, channel development and maintenance activity
  Experience: 3-6 years
  Location: Delhi, Mumbai & Chennai
  E-mail: hr4nation@gmail.com
  Job code: CJ172565

- **PRODUCT SALES SPECIALIST**
  Company: Client of HR4NATION
  Job profile: Responsible for sales of world leading high-end servers (like Unix) storage hardware, other products through channels in a particular territory
  Experience: 2-5 years
  Location: Chennai & Bangalore
  E-mail: hr4nation@gmail.com
  Job code: CJ172571

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

Jobs in Senior Management

- **COO**
  Company: MNC Placements
  Job profile: Would be responsible for entire operations of the region, to ensure completion of projects as per agreed timelines, quality & cost. Responsibilities will include profitability maximisation through optimisation of resources, implementation of project delivery systems, inducting cutting-edge technology solutions and career planning & skill development
  Experience: 16-25 years
  Location: Delhi & Bangalore
  E-mail: mncplacements@gmail.com
  Job code: CJ173961

- **GENERAL MANAGER**
  Company: Client of Vtech Vision Services
  Job profile: Would be responsible for all wireless network maintenance activities of the group. Business development, turnkey management skills and target achievement
  Experience: 12 years
  Location: Mumbai
  E-mail: vtvs.resume@gmail.com
  Job Code: CJ175694

- **SENIOR SOFTWARE ENGINEER (ERP)**
  Company: Postive Results
  Job profile: Primary job responsibilities include reviewing functional specifications, documenting technical specifications, changing Baan software objects and performing unit and integration testing
  Experience: 5-8 years
  Location: Bangalore
  E-mail: resumes@positiveresultsindia.com
  Job code: CJ174386

- **CEO**
  Company: A R Airways Pvt. Ltd.
  Job profile: Professional having experience with demonstrated ability of managing similar startup venture in the past with strong inclination towards culture building may apply for this position
  Experience: 10-20 years
  Location: Delhi
  E-mail: murli@cluboneair.com
  Job code: CJ175620

- **GENERAL MANAGER PRODUCTION**
  Company: Newage Consultants
  Job profile: Handling production of a large production unit with a capacity of 500-1000 workers, handling production of sports and leather footwear. Single handed management of whole staff and production
  Experience: 15-25 years
  Location: Faridabad
  E-mail: vishal.newage@gmail.com
  Job code: CJ167713

- **SENIOR MANAGER MARKETING**
  Company: MEKSOL India
  Job profile: Should have experience in marketing of villas above Rs. 1.5 crore
  Experience: 10-12 years
  Location: Bangalore
  E-mail: hr_meksol@rediffmail.com
  Job code: CJ169765

- **GM-MARKETING**
  Company: A R Airways Pvt. Ltd.
  Job profile: Responsible for creation and development of various collaterals for product verticals database management, collation of relevant data, direct mailers from COA to clients sent periodically, collection of leads and address collation
  Experience: 10-15 years
  Location: Delhi, Gurgaon & Noida
  E-mail: murli@cluboneair.com
  Job code: CJ175350

- **DIRECTOR FINANCE**
  Company: Mastermind Network
  Job profile: Should integrate global accounting & reporting systems, ensure strict compliances to statutory Indian and US GAAP requirements
  Experience: 12-17 years
  Location: Gurgaon
  E-mail: deepti@mastermindnetwork.co.in
  Job code: CJ175130

- **NATIONAL SALES MANAGER**
  Company: Arg Personnel Network Pvt. Ltd.
  Job profile: Well qualified with experience in sales of tyres/retail sales/dealer sales
  Experience: 12-20 years
  Location: Gurgaon
  E-mail: engg.pn@spectranet.com
  Job code: CJ173966

- **HEAD- ADMIN, HR & FINANCE**
  Company: Hitech Placements
  Job profile: Will be responsible for administration & facilities management, human resource management, accounting and finance & control
  Experience: 8-10 years
  Location: Delhi
  E-mail: global.jobs@hitechmanpower.com
  Job code: CJ174445

- **CHIEF PROJECTS OFFICER**
  Company: UKN
  Job profile: As head of projects, you will be responsible for design management, procurement, safety, quality, projects delivery, schedules and costs. Your team would service different strategic business units
  Experience: 14-25 years
  Location: Bangalore
  E-mail: pkn@ukn.co.in
  Job code: CJ174475

- **PROGRAM MANAGER - COMPETENCY & DELIVERY EXCELLENCE**
  Company: Best Infosystems Ltd.
  Job profile: Responsible for PM competency management, project management and hardcore delivery experience of large, complex projects/set of projects
  Experience: 12-15 years
  Location: Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Pune, Ahmedabad, Gurgaon & Noida
  E-mail: cv@bestinfosystems.com
  Job Code: CJ175633

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

JOBS IN FINANCE

- **MANAGER-COSTING**
  Company: TACIT India
  Job profile: Responsible for building project estimates for sub-critical/super-critical coal-based thermal power plant. Be conversant & up-to-date on EIXM policy & procedures & tax implication on EPC projects
  Experience: 6-10 years
  Location: Ahmedabad & Anand (town)
  E-mail: kapil.tacitindia@gmail.com
  Job Code: CJ175718

- **UNDERWRITER**
  Company: New Age Solutions
  Job profile: The candidate will be responsible for underwriting for home loan & mortgage loan customers
  Experience: 1-3 years
  Location: Mumbai, Chennai, Bangalore & Pune
  E-mail: kshama@newagesolutions.co.in
  Job Code: CJ175531

- **INTERNAL AUDIT**
  Company: Jobcookies
  Job profile: Should coordinate with concurrent audit, system audits & external audit appointed by AMCs. Internal audit of different units & funds on regular basis and reporting to managements
  Experience: 4-14 years
  Location: Chennai
  E-mail: pratheep@jobcookies.com
  Job code: CJ173515

- **FINANCIAL SERVICES MANAGER**
  Company: Actinum Technologies Pvt. Ltd.
  Job profile: Will be bringing the business to client by meeting up with customers, maintain a good relationship with clients and executives
  Experience: 2-7 years
  Location: Chennai, Bangalore & Hyderabad
  E-mail: careers@actinumtech.com
  Job code: CJ174671

- **PERSONAL FINANCE CORPORATE MANAGER**
  Company: Progold
  Job profile: As an intern in the finance & accounting (F&A) function of the company, you will get a snapshot of work as a financial analyst with the company
  Experience: 1-5 years
  Location: Delhi, Mumbai & Chennai
  E-mail: pran.ajeet@gmail.com
  Job code: CJ173844

- **LOCAL FINANCE ASSISTANT**
  Company: Progold
  Job profile: Primary responsibilities include interacting with clients by phone and in person to handle requests directly or coordinating a response from a broker manager
  Experience: 0-5 years
  Location: Delhi, Mumbai & Chennai
  E-mail: pran.ajeet@gmail.com
  Job code: CJ173862

- **BILLING COORDINATOR MANAGER**
  Company: Progold
  Job profile: Will be working daily on reviewing and processing payment controls functions, billing research, list bill maintenance, increases, revolving error, suspense and questions that come into the team
  Experience: 1-5 years
  Location: Delhi, Mumbai & Chennai
  E-mail: staf.manager@gmail.com
  Job code: CJ174628

- **OPERATION MANAGER - ACCOUNTS PAYABLE**
  Company: Personal Network
  Job profile: Coordinate work assignments & review work in progress and deliver service as per SLA
  Experience: 7-8 years
  Location: Bangalore
  E-mail: akshata.kumar@rediffmail.com
  Job code: CJ175450

- **SENIOR EXECUTIVE - FINANCE & ACCOUNTS**
  Company: Laven Consultants
  Job profile: Responsible for FAS payments, ETX handling, cheque payments, onward remittance, reporting of treasury balances and operations
  Experience: 3-5 years
  Location: Bangalore
  E-mail: lavenconsultants002@gmail.com
  Job code: CJ158340

- **MANAGER-AUDIT**
  Company: Ujjivan Financial Services Pvt. Ltd.
  Job profile: Should conduct area survey and cross-checking, verifying the feasibility of opening new branches, drawing up an annual action plan
  Experience: 4-8 years
  Location: Bangalore
  E-mail: praveen.gv@ujjivan.com
  Job code: CJ172352

- **BUSINESS ANALYST - BANKING**
  Company: Sampark Search
  Job profile: Should have extensive experience in banking investment domain, portfolio management, investment banking, mutual fund and derivatives
  Experience: 5-10 years
  Location: Delhi, Gurgaon & Noida
  E-mail: sweety@samparksearch.com
  Job code: CJ165138

- **AM - CORPORATE AGENTS & BROKING**
  Company: Plus HRMS
  Job profile: Maintain relations with senior management to drive sales & design contests & events. Ensure that the principal officers of the channel partners are IRDA licensed
  Experience: 4-7 years
  Location: Hyderabad & Vijayawada
  E-mail: kousalya@plushrms.com
  Job code: CJ174705

- **SR MANAGER ACCOUNTS-BANGALORE**
  Company: Ujjivan Financial Services Pvt. Ltd.
  Job profile: Handle secretarial matters, compliances, internal audit, reconciliation/ finalisation of accounts, finalisation of accounts
  Experience: 5-10 years
  Location: Bangalore
  E-mail: praveen.gv@ujjivan.com
  Job code: CJ173749

- **MANAGER FINANCE**
  Company: Horizon 7 Services India Pvt. Ltd.
  Job profile: Fund management including raising of funds through different sources such as private equity placements/foreign funds
  Experience: 5-10 years
  Location: Mumbai
  E-mail: ash@horizon7.co.in
  Job code: CJ175077

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

middle earth consultants

... SHAPING BEHAVIOUR

Middle Earth, the leading corporate training & consulting organization presents the certified training programs workshop calender 2008...

TRAINING & DEVELOPMENT WORKSHOP
March - April - May 2008

INTERNATIONAL - CALENDAR

LOCATION	MARCH		APRIL		MAY	
	WORKSHOP	DATE	WORKSHOP	DATE	WORKSHOP	DATE
HANOI-VIETNAM			Certified Recruitment Analyst (CRA)	14,15	Certified Performance & Competence Developer (CPCD)	19,20
JAKARTA	Certified Performance & Competence Developer(CPCD) Certified Compensation & Benefits Manager (CCBM)	25,26 27,28	Certified Customer Care Professional (CCCP) Certified Brand Manager (CBM)	22,23 24,25	Certified Score card Professional (CScP) Certified Learning & Development Manager (CLDM)	27,28 29,30
DUBAI	Certified Compensation & Benefits Manager (CCBM)	24,25	Certified Psychometric Testing Professional (CPTP)	28,29	Certified Recruitment Analyst (CRA)	26,27
LAGOS	Certified Trainer & Facilitator (CTF)	10,11,12				
OMAN			Certified Sales Professional (CSP)	17,18	Certified Recruitment Analyst (CRA)	19,20

DOMESTIC - CALENDAR

LOCATION	MARCH		APRIL		MAY	
	WORKSHOP	DATE	WORKSHOP	DATE	WORKSHOP	DATE
BANGALORE	Certified Performance & Competence Developer(CPCD) Certified Coach & Counselor (CCC)	7,8 13,14,15	Certified Learning & Development Manager (CLDM) Certified Psychometric Testing Professional (CPTP) Certified Productivity Leader (CPL)	18,19 4,5 25,26	Certified Compensation & Benefits Manager (CCBM) Coach& Counselor (C & C)	9,10 23,24
BOMBAY	Certified Assessment Center Analyst (CACA) Certified Learning & Development Manager (CLDM)	21,22 28,29	Certified Trainer & Facilitator (CTF) Certified Productivity Leader (CPL)	11,12,13 18,19	Certified Recruitment Analyst (CRA) Certified Score card Professional (CScP)	9,10 16,17
CHENNAI	Certified Learning & Development Manager (CLDM)	14,15	Certified Trainer & Facilitator (CTF)	18,19,20	Certified Performance & Competence Developer(CPCD) Certified Compensation & Benefits Manager (CCBM)	16,17 2,3
DELHI	Certified Coach & Counselor (CCC) Certified Performance & Competence Developer (CPCD) Certified Trainer & Facilitator (CTF)	6,7,8 28,29 28,29,30	Certified Learning & Development Manager (CLDM) Certified Productivity Leader (CPL)	11,12 4,5	Certified Compensation & Benefits Manager (CCBM) Certified Coach & Counselor (CCC)	23,24 9,10
HYDERABAD	Certified Trainer & Facilitator (CTF) Certified Learning & Development Manager (CLDM) Certified Productivity Leader (CPL) Coach& Counselor (C & C)	29 Feb1,2 7,8 7,8 14,15	Certified Recruitment Analyst (CRA) Certified Retention & Engagement Professional (CREP) Managerial Skills (MS)	4,5 25,26 11,12	Certified Learning & Development Manager (CLDM) Certified Productivity Leader (CPL) Certified Coach & Counselor (CCC)	16,17 9,10 23,24
KOLKATA	Certified Recruitment Anilyst (CRA)	14,15	Certified Performance & Competence Developer (CPCD)	11,12	Certified Learning & Development Manager (CLDM) Certified Productivity Leader (CPL)	16,17 23,24
LUCKNOW	Coach& Counselor (C & C)	12,13	Certified Productivity Leader (CPL)	25,26	Certified Recruitment Analyst (CRA)	16,17
PUNE			Certified Performance & Competence Developer(CPCD)	18,19	Certified Learning & Development Manager (CLDM)	9,10

* The above workshop schedule is subjected to change. Please contact the below numbers for updated information

REGISTER :

Visit our website for complete program descriptions, consultants profiles and to register for any of the above workshops.
Go to : **http//www.mecindia.in**

CONTACT :

Bangalore : Ms. Neetu, 09845546260, **Bombay:** Ms. Shakti, 09833910026, **Chennai :** Mr. Murali Krishna, 09912233007, **Delhi :** Mr. Binay K. Mishra, +91 9871324463, **Hyderabad :** Srilakshmi, 040-65171777, **Kolkata :** Mr. Amit Sharma, 09830201702, Ms. Neha Sharma, 09432244157, **Lucknow :** Mr. Sarjay, 09415023191, **Pune :** Mr. Srini, 09948511234.

For Franchise enquiries at Chennai, Cochin, Ahmedabad & Pune Contact : Mr. Srini, 09948511234.
For Franchise enquiries at Manila, Colombo, Hong Kong, Lagos, Karachi, Riyadh & Doha Contact : Mr. Susheel Kumar, 09948511231, e-mail : headglobal@mecindia.org

JOBS IN INFORMATION TECHNOLOGY

- **SAP CONSULTANTS**
  Company: Sage Technologies
  Job profile: SAP professionals with a minimum of 2+ years of experience in SAP R/3 all module and new dimension like CRM/SRM/SEM/APO/ Basis and ABAP
  Experience: 2-20 years
  Location: Delhi, Mumbai & Chennai
  E-mail: resume_rpo@sagetl.com
  Job Code: CJ163050

- **PROJECT MANAGER**
  Company: Sampark Search
  Job profile: A Strong experience in product/application development, and has been through full lifecycle development of multiple products/applications
  Experience: 7-12 years
  Location: Delhi, Gurgaon & Noida
  E-mail: vikram@samparksearch.com
  Job Code: CJ163192

- **SOFTWARE WEB DEVELOPER**
  Company: I-Knowledge
  Job profile: We are seeking software web developers with strong PHP/Java/.net, MYSQL/ MS SQL/Oracle and Linux and networking technical skills
  Experience: 3-6 years
  Location: Noord Holland & Utrecht
  E-mail: iknowledgeindia@gmail.com
  Job Code: CJ173154

- **SOFTWARE ENGINEER**
  Company: NuWave eSolutions Pvt. Ltd.
  Job profile: Required software engineers with experience in Microsoft technologies: ASP, VB and.net
  Experience: 5-7 years
  Location: Massachusetts
  E-mail: anil.bhat@hotmail.com
  Job Code: CJ160712

- **SOFTWARE ENGINEERS**
  Company: Actinum Technologies Pvt. Ltd.
  Job profile: Should have good knowledge in EMS/NMS background (highly desirable), Java, J2EE, XML, EJB, SNMP/TL1 (mandatory)
  Experience: 2-7 years
  Location: Chennai
  E-mail: it.careers@actinumtech.com
  Job code: CJ174673

- **WEBSPHERE CONSULTANT**
  Company: Axis HR Consultancy
  Job profile: Should have experience with IBM WebSphere Process Server V 6.0, WebSphere Integration Developer, Enterprise Service Bus V 6.0, J2EE, XML, Web Services & SOA
  Experience: 2-4 years
  Location: Al-Riyad
  E-mail: Sivakumar@axisconsultancy.co.in
  Job code: CJ174736

- **WINDOWS ADMIN**
  Company: Axis HR Consultancy
  Job profile: Will be responsible for active directory, monitoring experience, Microsoft clustering, exchange, patching of servers & maintenance of servers
  Experience: 5-8 years
  Location: Chennai & Bangalore
  E-mail: sivakumar@axisconsultancy.co.in
  Job code: CJ174734

- **EMBEDDED SOFTWARE ENGINEER**
  Company: 24x7 Corporate Solutions
  Job profile: Must possess technical skills in the area of embedded software development and guide the project team, strong in C programming, embedded Linux or Linux
  Experience: 3-8 years
  Location: Chennai
  E-mail: jenita.g@24x7cs.com
  Job code: CJ174822

- **COMPILER DESIGN-MICROCHIP TECHNOLOGY**
  Company: Postive Results
  Job profile: Should analyse, design and implement highly optimised C compiler solutions for PICmicro, dsPIC and advanced architectures
  Experience: 2-8 years
  Location: Bangalore
  E-mail: resumes@positiveresultsindia.com
  Job code: CJ174387

- **TEAM LEADER**
  Company: Ameriteck Global IT Solutionz
  Job profile: Experience in website/web design development. Strong knowledge in PHP, Mysql, Javascript, Mysql, HTML, DHTML, Ajax, CSS. Understanding of e-commerce, shopping cart, Pay pal, internet protocols. Experience in interacting with offshore clients
  Experience: 3-6 years
  Location: Pune
  E-mail: komal@ameriteck.biz
  Job code:CJ174282

- **AS/400 MODULE LEAD AND PROJECT LEAD**
  Company: Askexim Services Private Limited
  Job profile: Should be having very good exposure in IBM AS/400 environment and should have worked on RPG/ILE, CL/400, SDA/400, SQL/400. Must have experience in software application maintenance/ development
  Experience: 4-9 years
  Location: Pune & Chennai
  E-mail: rajnish@askexim.in
  Job code: CJ152033

- **HYPERION**
  Company: Askexim Services Private Limited
  Job profile: Strong hands and experience in Hyperion essbase, planning and reporting relational database experience (SQL, Oracle, DB2 etc), OS UNIX or Windows
  Experience: 1-8 years
  Location: Pune
  E-mail: eds.ashok@askexim.in
  Job code: CJ169106

- **ORACLE APPLICATION DEVELOPER**
  Company: mynichejobs
  Job profile: Experience in programming using Oracle RDBMS, 9i/10g, Oracle forms, web forms, tables, views & database triggers. Be familiar with shell scripts in UNIX, J2EE, Oracle 11i, oracle 6i forms, PL/SQL
  Experience: 3-8 years
  Location: Chennai
  E-mail: bank@nichejobs.in
  Job code: CJ174893

- **DATABASE ADMINISTRATOR - SQL**
  Company: mynichejobs
  Job profile: Experience in SQL server database, installation, maintenance, upgrades, writing stored procedures and scripting
  Experience: 3-8 years
  Location: Chennai
  E-mail: bank@nichejobs.in
  Job code: CJ174899

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

JOBS IN MANUFACTURING & ENGINEERING

- **PROCESS ENGINEER**
  Company: Jobcookies
  Job profile: Chemical engineer having experience in preparation of PFDs and P&ID, carrying out hydraulic calculation and sizing of process and mechanical equipment beside preparation of process specifications for instruments
  Experience: 5-15 years
  Location: Kolkata
  E-mail: pratheep@jobcookies.com
  Job code: CJ173522

- **PROJECT ENGINEER**
  Company: Career Zeal HR Management Services
  Job profile: BE/B.Tech mechanical with very good work experience in wiring harness with Catia V5 skills and good communication skills
  Experience: 1-8 years
  Location: Chennai & Andhra Pradesh
  E-mail: divya@careerzeal.in
  Job code: CJ174804

- **MODELING USING SOLID WORKS**
  Company: Askexim Services Private Limited
  Job profile: Hands-on experience in Solid Works 2005, in the areas of modeling packaging machinery parts and sheet metal covers
  Experience: 2-3 years
  Location: Coimbatore
  E-mail: Boschteam@askexim.in
  Job code: CJ163979

- **HYDRAULICS TESTING ENGINEER**
  Company: Askexim Services Private Limited
  Job profile: Knowledge of electromagnetic equipments & measurements, usage of hydraulic simulation, project management etc.
  Experience: 1-3 years
  Location: Bangalore
  E-mail: Boschteam@askexim.in
  Job code: CJ163968

- **PACKAGING MACHINE DESIGNERS**
  Company: Askexim Services Private Limited
  Job profile: Should be able to handle design of packaging machinery and confectionery equipment independently using Solid Works 2005
  Experience: 3-5 years
  Location: Panaji
  E-mail: Boschteam@askexim.in
  Job code: CJ163983

- **CMM- OPERATOR**
  Company: Universal Engineering & Electrical Company
  Job profile: Responsible for operation and maintenance of coordinate measuring machine and prepare quality plans
  Experience: 3-5 years
  Location: Coimbatore
  E-mail: kamaraj@ueec.in
  Job code: CJ175666

- **SENIOR ENGINEER (PLC)**
  Company: A client of Personnel Network
  Job profile: Will be responsible implementing various PLC projects at customer sites, programming, training, servicing of PLCs
  Experience: 3-5 years
  Location: Ghaziabad
  E-mail: engg.pn@spectranet.com
  Job code: CJ172323

- **SUPERVISOR- FOOTWEAR**
  Company: Newage Consultants
  Job profile: Supervisor positions for stitching, quality control, lasting, assembley and designing
  Experience: 3-15 years
  Location: Faridabad & Agra
  E-mail: vishal.newage@gmail.com
  Job code: CJ168011

- **MERCHANDISERS- LEATHER & SPORTS FOOTWEAR**
  Company: NEWAGE Consultants
  Job profile: Merchandising leather and sports footwear for a MNC
  Experience: 3-10 years
  Location: Faridabad
  E-mail: vishal.newage@gmail.com
  Job code: CJ167711

- **SHOE DESGINER**
  Company: Newage Consultants
  Job profile: Should have experience in desgining sports and leather shoes
  Experience: 3-10 years
  Location: Faridabad
  E-mail: vishal.newage@gmail.com
  Job code: CJ167709

- **NPD DESIGN ENGINEER**
  Company: Karier Kansultants
  Job profile: To support the new product requirements of the C4i/Aerospace/ISS groups, design & introduce new products into production in a timely manner in accordance with the current standard practices
  Experience: 3-6 years
  Location: Pune
  E-mail: designkarier@rediffmail.com
  Job code: CJ175396

- **TRUCK CHASSIS FRAME**
  Company: Plus HRMS
  Job profile: Should have experience in CATIA V5 modeling, especially handling DMU and sheet metal-design
  Experience: 2-5 years
  Location: Bangalore
  E-mail: saravanan@plushrms.com
  Job code: CJ175180

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal

JOBS IN MARKETING & COMMUNICATIONS

- **PRODUCT EXECUTIVE**
  Company: Dupen Laboratories
  Job profile: Involving branding and marketing activities, market research on new skin care and dental products
  Experience: 1-3 years
  Location: Mumbai
  E-mail: suven_consultants@rediffmail.com
  Job code: CJ456456

- **BRAND MANAGER**
  Company: Win or Win Consulting
  Job profile: Responsible for strategic planning, market surveys, perceptive analysis, brand positioning, training and development of product executives competitive mapping and pricing strategy
  Experience: 5-12 years
  Location: Chennai
  E-mail: winorwin@gmail.com
  Job code: CJ174737

- **BUSINESS DEVELOPMENT EXECUTIVE**
  Company: Vertex Enterprises
  Job profile: Ability to generate a lead & setting up conference calls/face-to-face appointments with CXO's of companies based out of US
  Experience: 1-2 years
  Location: Bangalore
  E-mail: sibanand.vertex@gmail.com
  Job code: CJ174790

- **PRODUCT EXECUTIVE**
  Company: Client of HR4NATION
  Job profile: Responsible for sales, collection on the business assigned, plan out dealer-wise sales target, maintaining healthy relationship with the partners & vendors, clear communication to partners and timely response and stock planning
  Experience: 2-4 years
  Location: Chennai & Indore
  E-mail: hr4nation@gmail.com
  Job code: CJ172570

- **TERRITORY MANAGER**
  Company: Client of HR4NATION
  Job profile: Responsible for freight selling, performance management, customer satisfaction, team management, sales operations, revenue generation, acquisition of new customers and profit maximisation
  Experience: 2-5 years
  Location: Chennai
  E-mail: hr4nation@gmail.com
  Job code: CJ174789

- **SENIOR MARKETING EXECUTIVE**
  Company: GNG Group
  Job profile: Should seek appointments and attend to large contractors, PSUs such as L&T, Siemens, KLG Systems, Gammon and Power Grid, Rites, NHPC, NTPC & contractors of Railways, Defense, CPWD respectively
  Experience: 2-5 years
  Location: Gurgaon
  E-mail: marketing@gnggroup.com
  Job code: CJ168917

- **ASSISTANT MANAGER - MARKETING**
  Company: GNG Group
  Job profile: The person will be responsible for tender search and marketing process, empanelment of the company with various agencies like Power Grid, MES etc.
  Experience: 2-5 years
  Location: Delhi & Gurgaon
  E-mail: marketing@gnggroup.com
  Job code: CJ156693

- **MARKETING EXECUTIVE**
  Company: Derby Communications (India) Pvt. Ltd.
  Job profile: Will be handling key accounts of the brand, work out cross promotions with brand's merchant establishments, generating MIS and communicating the progress to the upper level, maintaining PR with ME and business associates
  Experience: 0-1 years
  Location: Delhi
  E-mail: delhi@derbyindia.com
  Job code: CJ159293

- **BUSINESS MANAGER**
  Company: Client of HR4NATION
  Job profile: Responsible for overall P&L of the business unit, analysis of market information, product management, working capital management, man management, planning and executing sales plan for branches
  Experience: 3-6 years
  Location: Chennai
  E-mail: hr4nation@gmail.com
  Job code: CJ163043

- **SENIOR CLIENT SERVICING EXECUTIVE**
  Company: Client of Mangalam
  Job profile: Responsible for client servicing, regular (mon-sat) interaction and coordination with clients for all the jobs and successful implementation of those jobs with the help of creative, account planning, strategy and media department
  Experience: 5-7 years
  Location: Mumbai
  E-mail: kalpana@mangalamjobs.com
  Job code: CJ175626

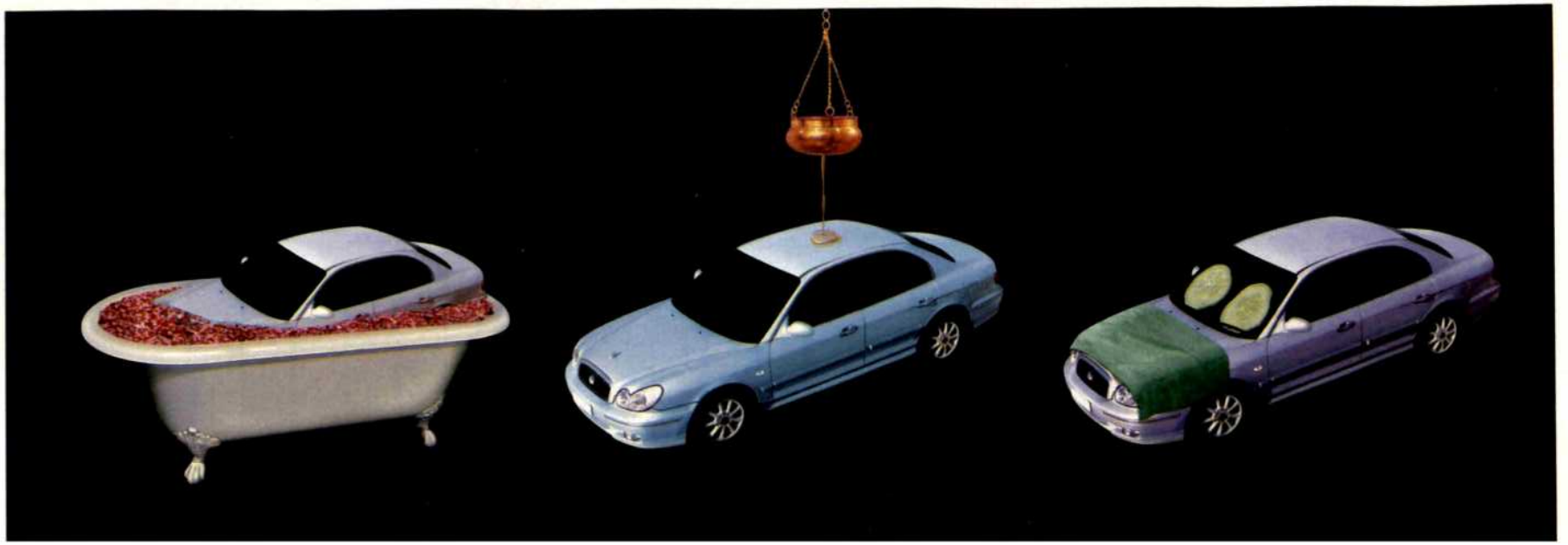
- **MARKETING EXECUTIVE**
  Company: Derby Communications (India) Pvt. Ltd.
  Job profile: Will be handling key accounts of the brand, work out cross promotions with brand's merchant establishments
  Experience: 0-1 years
  Location: Delhi
  E-mail: delhi@derbyindia.com
  Job code: CJ159293

- **MARKETING COMMUNICATIONS MANAGER**
  Company: Zend Consulting Services
  Job profile: The MarCom manager is responsible for all marketing & communication activities. Profile includes responsibilities like creating interest among people through displays, direct-fax, e-mails, direct mail, web etc.
  Experience: 8-15 years
  Location: Bangalore
  E-mail: resume@zcsindia.com
  Job code: CJ175527

- **CLIENT SERVICING EXECUTIVE**
  Company: Esource Gobal
  Job profile: To understand client's marketing & communications needs, take briefs from them. To coordinate with the design team to execute the brief
  Experience: 2-4 years
  Location: Mumbai
  E-mail: samantha@esourceglobalhr.com
  Job code: CJ175593

For more details please log on to http://purplepatch.clickjobs.com and apply for jobs . Now as a registered user, you can apply for Jobs by mobile. Just type APPLY <jobcode> and send to 55050

A Businessworld INITIATIVE IN PARTNERSHIP WITH CLICKJOBS.com India's Premium Job Portal



Businessworld

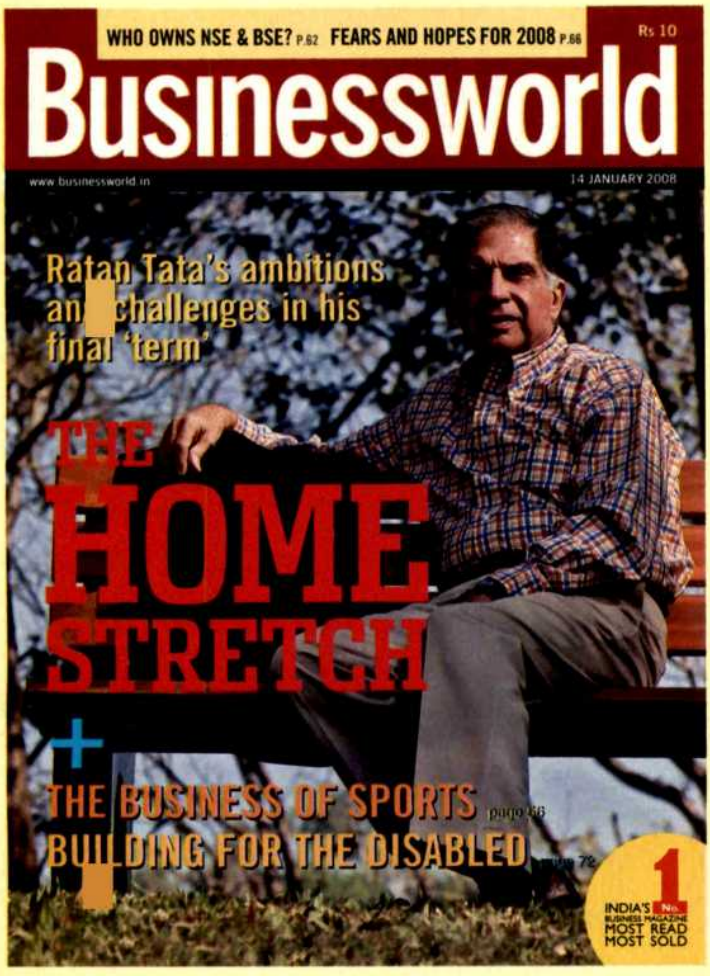
CONTAINS High IQ

Nutrition for the mind

Serving: Once per week

Ingredients	% Content
OnPoint	10%
Sharp insights on news	
Fianchetto	5%
The week's strategic moves	
Quick Take	2%
Opinion poll of business leaders	
In Depth	37%
More feature stories every week	
Corporate Sociology	7%
The social side of the workplace	
Tech Talk	5%
A look into the future	
New Columnists	8%
Global perspectives	
Counterpoint	3%
A contrary point of view	
In Vogue	6%
The business lifestyle	
Other regular features	17%

PRESENTING THE NEW BUSINESSWORLD. FRESH. INCISIVE. GLOBAL.



Businessworld, India's most read and most sold business magazine*, has a refreshing international look and more comprehensive content. Its new features include more in-depth stories, new columnists, sections on science and technology, corporate sociology, lifestyle and much more.

All presented in an easy-to-read, elegant style. The new Businessworld.

It gives you an edge that's simply unmatched.

Businessworld
YOUR UNFAIR ADVANTAGE

*ABC: Jan-June 2007: 1,31,626. NRS: 6,79,000 AIR (Average Issue Readership).

BATES DAVID ENTERPRISE 1584

They've Got The Look

by Pierre Mario Fitter

Branded lenses (what was that?) are now bestsellers

FOR MOST OF US, THE ACT OF PURCHASING spectacles used to be an exercise in choosing the frame. The lenses, well, we basically saw through them. Not anymore. Two major global players, France's Essilor and Switzerland's Carl Zeiss, have taken the lead in introducing the Indian market to high-quality optical products. "The spectacle lens category didn't even exist until some time ago," says Manish Soni, general manager for Carl Zeiss India, in Goa. "We had to create it."

In fact, according to both Essilor and Carl Zeiss, India is the only major world economy where glass-based optical products are still used. The rest of the world, including neighbouring China and Pakistan, began buying plastic and polycarbonate lenses in the 1980s and 1990s.

On their slow road to success, both Carl Zeiss and Essilor have run similar, patient campaigns, beginning by drawing dealer confidence away from the unorganised sector, which dominated and still dominates the market. The nearly decade-long branding is now culminating in aggressive, and ongoing, consumer ad campaigns. "Ten years ago, spectacle lenses were a low-involvement product because everyone focused on frames," says B. Jayanth, managing director of Essilor India. "Now there is awareness about the importance of lenses. After all, spectacles are about correcting your vision."

Today, organised spectacle lens makers are reporting 30 per cent year-on-year increase in sales. According to one industry source, this growth has mostly come at the expense of the unorganised sector, which is showing a declining sales graph. The numbers bear this theory. When Essilor first started its India operations in 1998, the market share of organised lens makers was only 2 per cent. Now, despite the higher cost of branded lenses, it's 25 per cent.

EYE ON GROWTH: The $90-million Indian eyewear market is attractive for MNCs

Through The Looking Glass

A study conducted by Hongkong Trade Development Council last year estimates the total Indian eyewear market at $90 million (Rs 360 crore), and its fashion and ophthalmic segment at $40 million (Rs 160 crore). Pilot studies by industry players showed the market for spectacle lenses in India to be roughly 70 million pieces annually. In this, unorganised lens makers, who still control 75 per cent of the market, largely sell inferior, and cheaper, glass lenses.

"We started with a disadvantage," says Jayanth. "For the first few years, we branded only at the trade level to bring back dealer confidence." Carl Zeiss conducted thousands of field visits to educate dealers about its newer products.

Conventionally, dealers hardsell spectacle frames, which have higher profit margins than lenses. Besides, plastic lenses were not only more expensive, they acquired the adverse reputation of scratching too easily when they were first introduced in India. Since then, improved technology delivered scratch-resistant and anti-glare lenses with improved coatings. Dealers also prefer bargaining for better prices from unorganised makers of glass lenses. So, "We worked on educating dealers and opticians as we identified them as a potential weak link," says Carl Zeiss' Soni.

Then, branded spectacle lens manufacturers also began promoting their products through aggressive TV and print ad campaigns. "We have a big edge with our marketing, which has helped convince customers," says Jayanth. People are also willing to spend more on quality, especially when it comes to a faculty as important as eyesight.

Delhi-based senior executive Roystan La'Porte was among those convinced. "I have been using progressive lenses for the past six-seven

years," says La'Porte. "This is my third pair. Progressive lenses are really good. But lens prices have really gone up. I spent Rs 5,000 on the first pair. The last one I bought cost me Rs 8,000." Even so, "After the initial phase, you can't think of changing back," feels La'Porte. It's easier to adapt to progressive lenses than bifocals; they are also much lighter and more flexible.

Essilor, the Indian and global market leader, has two brands, Varilux and Crizal. Varilux, the first-ever progressive lens in the world, was patented in the late 1950s. These lenses gradually change power as the wearer's vision moves from far-off objects to nearby ones. Traditional bifocals also do this but wearers remain unable to focus on mid-distance objects. Other companies adopted this popular technology with the expiry of Varilux lens patent in the mid-1970s. "While most new customers prefer plastic lenses, old glass lens customers are also quickly changing to plastic lenses," says Essilor's Jayanth.

Carl Zeiss' camera lenses, it's worth noting, went with the first camera to the moon, and eventually found their way to your mobile phone. "There were already a lot of stories floating around about us," says Soni. "So consumers are convinced about our quality."

EASY LUXURY: High-end eyewear are far more affordable than other luxury products

What A Spectacle!

"India is a special country and is at an inflection point," says Radha Chadha, a Hong Kong-based marketing consultant who recently wrote a book on high-end consumerism. "It's at a stage called 'start of money', where the cream of society acts as if prices are not a problem."

This elite section of the population has always had access to high-quality products. But it's the billion-odd people outside this segment that multinationals are keen to tap. High-end prescription eyewear and even sun-glasses are far more affordable than other luxury products such as fur coats or hand-crafted watches. They make easier entry points into high-end products for less wealthy folk. "Luxury brands are no longer only for the wealthy," explains Chadha. "The new buzzword is democratisation of luxury."

Hamed Saberi, whose family has been in the eyewear business for two decades, would like to see luxury democratised. "People have really caught up on brand awareness," he says. "In the past five years, they have even begun to name specific brands that they'd like to buy." Saberi is managing director of Shades, a chain of retail stores that deals exclusively in high-end sunglasses and prescription eyewear. Shades currently runs four stores in Hyderabad and Bangalore. By end-2009, Saberi plans on expanding to 640 sales points, through new stores and smaller kiosks. Bollywood stars Sanjay Dutt and Suniel Shetty are his partners.

High-end eyewear retailers have seen exceptional growth rates in the past one or two years. At Aureole Inspecs, a joint venture with Inspecs, a leading British eyewear company, revenues have risen 500 per cent in the past year-and-a-half alone. "We see a lot of opportunity in the Indian eyewear market for the key reason that people have started spending a lot of money on accessories like eyewear," says Vineet Sharma, managing director of Aureole Inspecs.

This market will soon have more. Japan's Hoya Corporation, and US-based Kodak and Transitions, who have already announced plans to enter India, are expected to be here by the end of 2008, if not sooner. "Most of the market is at the low-end, but fashionable eyewear is catching up at 30-40 per cent per year," adds Saberi. Men seldom make passes at women who wear glasses? That was ten years ago. Look again. Specs were never sexier.

pierre.fitter@abp.in

The Best Use Of 'Chindia'

by andy mukherjee

THE DRAW OF CHEAP CHINESE AND INDIAN labour is so strong, and the media hype surrounding it so relentless, that some starry-eyed, developed-country executives are losing sight of the bottom line.

So acute is the 'Chindia' fever in some businesses, notably the auto industry, even the common sense of adapting manufacturing practices to make the best use of the region's labour endowment is being discarded.

A factory worker cost $37 an hour in Germany last year and only $1.40 in China (and $1 in India). Therefore, it should be cheaper to make a car part in China (or India) than in Germany, even after accounting for the higher productivity of the German worker.

This logic, straightforward as it appears, seems to be getting regularly flouted in the thriving automotive clusters that have emerged near Beijing and Bangalore, Guangzhou and New Delhi, and Shanghai and Pune. There are now more than 100 foreign-funded, auto-related production units in China and 60 in India.

To run a Chindia business that doesn't even attempt to benefit from cheap labour seems rather nonsensical

Tapping Chinese and Indian demand is the key motivation for the presence of global auto majors and component companies in these clusters. Together, the two Asian auto markets are expected by analysts to be bigger than Western Europe's by 2015. Still, it's reasonable to inquire what cheap and bountiful Asian labour has done for these companies. That's the question that Boston Consulting Group asked of senior executives at more than 40 European, Japanese and North American original equipment makers and suppliers.

The answer they got was staggeringly counter-intuitive.

"Cost savings have been disappointing," Nikolaus Lang, a partner at the consulting firm's Munich office, said last month in "Winning the Localisation Game", a study he has co-written with two colleagues. "Nearly two-thirds of the companies we analysed reported that their unit costs in China or India were equal to or higher than the unit costs in their home countries."

Sounds improbable? Lang and his colleagues provide a breakdown of what's causing the benefits of inexpensive labour to dissipate. The main culprit, according to their analysis, is that factories in China and India are smaller than in developed countries, thus not allowing economies of scale. Besides, it also costs companies more to ensure product quality in Asia. The in-house rejection rates are higher than they are in the West.

From this it may seem that the path to improved quality must pass through greater automation; fewer workers will, after all, make fewer mistakes.

Many companies in Asia, even several homegrown ones, are now going down that route. Bajaj Auto, India's second- biggest motorcycle maker, had more than 21,000 workers in 1997. Over the next eight years, the company tripled revenue by cutting the number of employees to 11,000 and by increasing assets per worker almost sevenfold. Part of this capital infusion went into robots that weld chassis frames.

Not just automakers. With a drop in import duties, even component manufacturers in India are now buying robotic production lines from overseas. But this strategy defeats the whole purpose of producing in a location where factory wages are a fraction of what they are in a developed country.

China and India offer global carmakers and their suppliers a unique opportunity to produce vehicles that are affordable to a large number of emerging-market buyers. The buzz created by the $2,500 car, a prototype of which was recently unveiled by India's Tata Motors, has demonstrated the potential merit of such a strategy.

So far, global carmakers have taken a 'wait-and-see' approach to the Nano, as Tata's proposed car is called. Even as they wait to see how consumers respond to a no-frills product, perhaps they should begin evaluating their manufacturing in China and India. They may find prospects for cost-savings that they have so far overlooked.

According to the Society of Indian Automobile Manufacturers, the typical cost structure of a company in this industry in India is dominated by raw materials such as steel and rubber; wages and salaries account for only 3 per cent of total expenses. This doesn't necessarily mean worker costs are irrelevant; it may also imply the technology selected is overly capital-intensive, and the labour input is artificially low.

To run a Chindia business that doesn't even attempt to benefit from cheap labour seems rather nonsensical, though that may be the norm in the auto industry right now.

Andy Mukherjee is a columnist for Bloomberg.

(C) 2008 Bloomberg News

Businessworld

TRIBHUWAN SHARMA

BW-PRICEWATER-HOUSECOOPERS

BUDGET 2008 SPECIAL

Economy.....110
See the slowdown, and act.

Subsidies.....112
The system is leaking like a colander.

Direct Taxes.....114
How the regime has changed.

MAT.....116
Shortcomings outweighing benefits.

Corporate vs Individual..117
Even out the disparities.

Defence Expenditure.....118
Biggest ramping up on the cards.

Govt Performance.....120
What's done, and what remains.

Tax Administration.....122
Reform to catch up with new milieu.

COLUMN:
Veena Mishra.....126
Inclusive growth marks out budgets.

Back Home.....128
The FM's borough needs attention.

The State Of The Economy

by Ashok V. Desai

This is a time for a reflationary budget and monetary easing

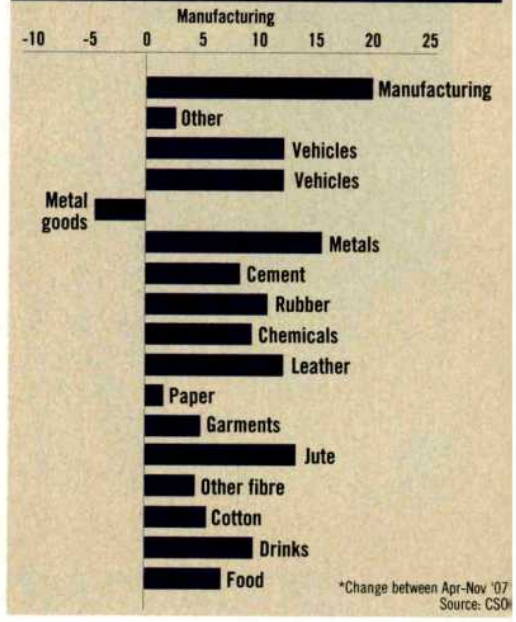
1. Industrial growth bottomed out in the middle of 2005 at 7 per cent. From this trough, it rose to reach 12 per cent in the beginning of 2007. Then it declined rapidly; by the last quarter of 2007 it was probably back to 7 per cent. Inflation in industrial prices also peaked in May 2007 and then started declining. The sudden appreciation of the Rupee in March 2007 coincides closely with the slowdown, but the coincidence is too good for it to be the entire explanation. From mid-2005 onwards, Reserve Bank was tightening monetary policy. Initially it raised policy rates, then it changed over to raising the cash reserve ratio. Growth of bank credit came down steadily from early 2007. Eventually, the monetary tightening started biting, and had an impact on the industrial growth rate. What is important is that although the deceleration was pretty evident by the middle of 2007, there was no change in Reserve Bank's stance; it continued to regard inflation as the prime threat, and ignored the threat to growth.

2. The industrial slowdown was concentrated in two industrial groups. One was vehicles. First, the output of two-wheelers fell; they were joined by trucks and buses, and then by cars. Second, growth in textiles was very poor. The collapse of growth in vehicles has been attributed to the credit squeeze, and can be traced back to Reserve Bank's monetary tightening. The slowdown in textiles was more likely due to the appreciation of the Rupee, which led to a fall in exports.

3. Growth in trade, transport and tourism closely parallels that in industry. It hit a relatively high trough of 9 per cent in the middle of 2005. It rose rapidly to 13 per cent by the beginning of 2006, and continued at this level till the first quarter of 2007. Then it decelerated gently to about 11 per cent by the latter half of 2007. The coincidence of the cycle in industry and trade and transport is not surprising, since industry produces the goods to trade and transport. Inflation in this sector was consistently low — generally below 4 per cent. The high level of competition kept inflation down.

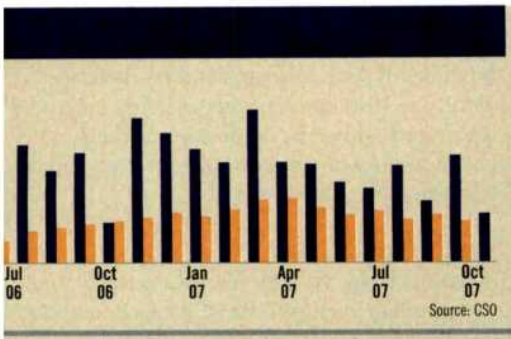
1. INDUSTRIAL GROWTH AND INFLATION

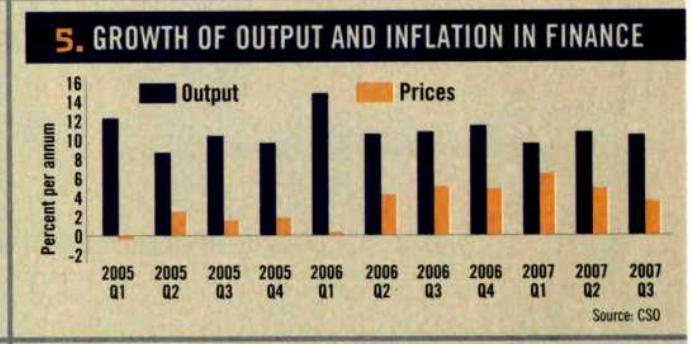
2. ANNUAL CHANGE IN OUTPUT*

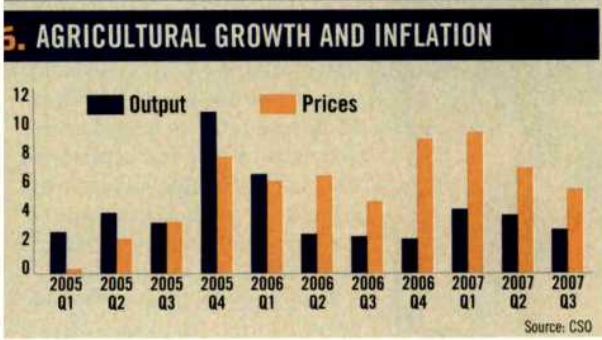


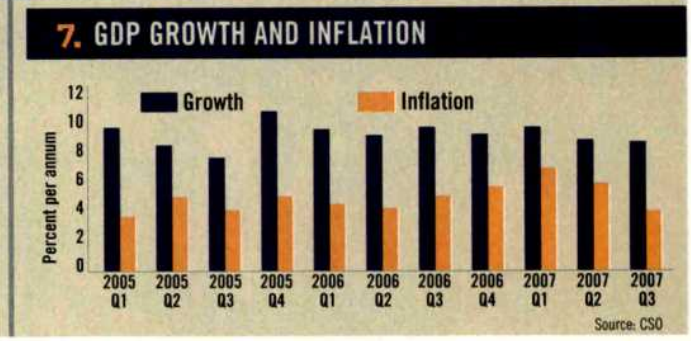
4. Growth of construction slowed down considerably before industry. In 2005, when industrial growth was still low, construction was growing at close to 15 per cent. In that sense, the boom that has now ended was a construction-led boom. By early 2006, however, supply bottlenecks were emerging. Growth fell sharply to about 10 per cent, and inflation in construction materials began to rise. Inflation peaked in early 2007 and then started to come down. Growth has been maintained at close to 10 per cent. Thus while construction contributed to the macroeconomic upturn, it has not contributed much to the downturn.

5. Finance, insurance, real estate and business services show no cycle; their growth in most quarters was close to 10 per cent a year. The real economy is always starved for credit. It absorbs what credit is made avail-









able, and for the rest makes do with its own savings. But the cost of finance enables us to pinpoint precisely when the Reserve Bank's monetary tightening began to bite. Till the first quarter of 2006, inflation in financial services was negligible — close to 2 per cent. Then suddenly in the second quarter it shot up to 4 per cent, and remained high till mid-2007.

6. The cycle in agriculture depends on the weather, and shows little correlation with other sectors. There was a bumper *kharif* harvest in late 2005 and early 2006. The demand it generated fed into the industrial boom through 2006. The 2007 rabi harvest was good, but nowhere near the earlier kharif. What is remarkable is the extremely high rate of inflation, in good times and bad. Agricultural prices have nothing to do with supply and demand; state procurement ensures high inflation in agriculture.

7. Overall growth in the economy is the sum of growth in the sectors, and inflation is the average of inflation in the sectors. Growth rose rapidly from mid-2005 onwards, and reached a level around 9 per cent by early 2006. It stayed at this level till the first quarter of 2007, and then began to come down. The overall cycle coincides with the industrial cycle, and has been largely driven by it. Overall inflation moves parallel to the growth cycle; in other words, the price movements were demand-driven. Policymakers, who have been saying that the downturn is temporary and that they will ensure growth at over 9 per cent, are talking through their hats. Overall growth is declining towards 7 per cent; it cannot be talked up with upbeat speeches. The economy is sliding into a slowdown, and will continue on this path until new forces of growth emerge. The finance minister should be thinking of a strongly reflationary budget, and should force the Reserve Bank to shed monetary tightness.

ashok.desai@gmail.com

High Cost, Low Impact

by Puja Mehra

ABP

WAITING FOR WHAT? Inspite of good intentions, the wait for effective aid is a long one

Even with cash transfers, leaks in the system need to be plugged

UNION MINISTER FOR RURAL DEVELOPMENT Raghuvansh Prasad Yadav says that in Chhattisgarh, a district collector has been suspended for diverting disbursements meant for wages under the National Rural Employment Guarantee Scheme (NREGS) to buy pesticide.

A National Council for Applied Economic Research (NCAER) report estimates that 38 per cent of kerosene meant for the public distribution system (PDS) that poor families access is diverted for non-PDS use. Why? As an internal note of the oil ministry acknowledges, the price differential between PDS kerosene and other fuels like diesel, is encouraging large-scale, organised adulteration.

These are but two examples among possibly hundreds that led Finance Minister P. Chidambaram to say on 20 December last year that the cost of transferring a rupee of benefit to the poor through the PDS is Rs 3.65. At an event at the Institute of Economic Growth in Delhi, Prime Minister Manmohan Singh underscored the effect of such leakages and badly targeted subsidies. "Too much money is being spent on funding subsidies in the name of equity, with neither equity objectives nor efficiency objectives being met," he observed.

Scale And Scope

So, are anti-poverty programmes actually making the poor even poorer? There are at least 151 centrally-sponsored poverty schemes, which last year entailed Rs 71,600 crore of expenditure. The government also spent Rs 25,000 crore to subsidise food, fertiliser and fuel through the PDS. Expenditure on different centrally-sponsored poverty alleviation schemes and various subsidies conservatively amounts to nearly Rs 1,50,000 crore.

Finance minister P. Chidambaram told chief ministers at the National Development Council that "while the PDS is necessary, unless it is efficient, procures adequate quantities of food grains and delivers food to the poor, the PDS could become an albatross around our neck and an opportunity for rent seekers to enrich themselves".

Four months ago, on 30 July 2007, Lord Meghnad Desai asked in a panel discussion on improving delivery mechanisms in Delhi why poverty alleviation was such a difficult task. "Why can't we transfer money, say a dollar a day, directly to the poor?" he asked. Chidambaram who was on the panel responded, "The quality of governance even at the state level, leave alone panchayats, is much lower than at the Centre. Cash transfer directly in the hands of poor is the single most popular programme of poverty alleviation until we provide jobs. But we need to have the money for it. We will need to dismantle the existing schemes and the system. I will do my sums tonight to see if we have the money".

Cash Or Vouchers?

If all these funds were allocated to the roughly 200 million poor households, each would get about Rs. 7,500 annually. Even then, about 20-60 million poor families would remain below the poverty line. To provide any meaningful help, the cash transfers would have to be restricted to the poorest of the poor. A cash trans-

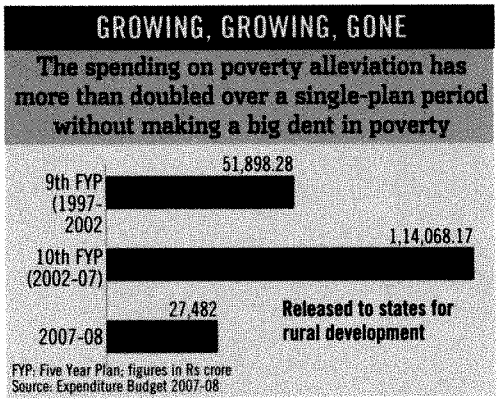
fer scheme will thus entail choosing beneficiaries: i.e. only to be used in subsistence cases.

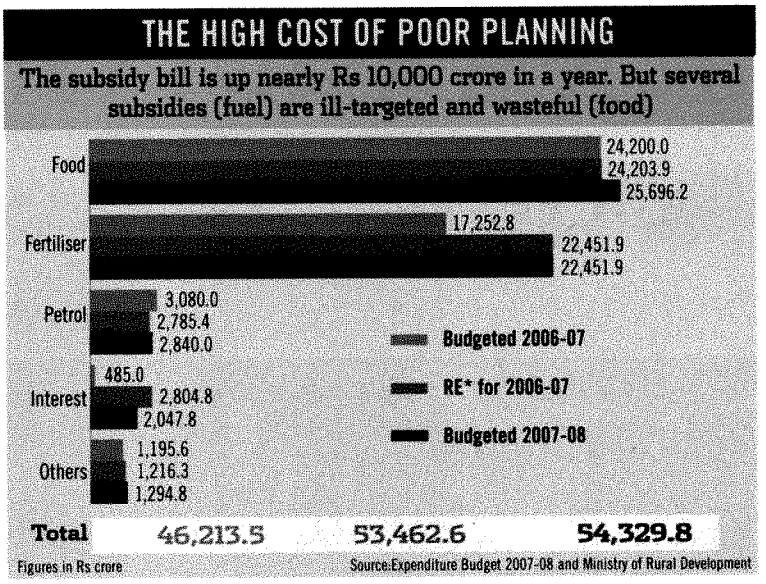
The government must find the political will to either target subsidies better or simply end them. It could start with a report on subsidies prepared by the finance ministry with the National Institute of Public Finance and Policy that recommends replacing the current subsidy regime in kerosene with coupons for poor ration card holders with which the fuel can be bought at subsidised rates from retailers. Another suggestion to minimise leakage of food grains from the PDS is cash transfers through post office network for covering the subsidy differential. But there is no guarantee these cash transfers will not be spent on alcohol, etc.

Elango Rungaswammy, head of the Kuthambakkam village panchayat in Tamil Nadu said at a seminar organised by the London Business School on rural India in December 2007 that "Income increases (from sources not necessarily NREGA) in villages are being spent on Coca Cola and cell phones." He tells stories about youngsters thrilled at making Rs 3,000 a month splurging on motor bikes and then running down the assets and financial status of the household to keep up with the fuel bills and consumer loan payment. "Six months later the financier takes the bike away; the family loses most of its meagre savings and assets," he said.

Teach A Man To Fish...?

And there are the horns of the dilemma: what helps the poor more, giving them fish or teaching them how to? Some would say the former presumes the poor aren't all that hungry and will eat a little bit more and then will go drinking with the cash transfers. Others warn that cash transfers could breed dependence of the beneficiaries on the State. "Poverty eradication programmes based on cash transfers lack dignity and self-respect," says a recent issue of *Poverty in Focus* — a UNDP periodical. That's why the NREGA pays wages for manual labour





rather than handing out doles, says Yadav.

Well-targeted poverty alleviation schemes are useful. After the notification of the NREGA, most states have had to revise upwards statutory minimum wage rates. Some states had not touched these rates for a decade. Depending on the base levels, they have gone by about 9 per cent in West Bengal to 55 per cent in Maharashtra, with the rest of the states in between.

What about disbursement of education and healthcare needs, which need more funds?

"Programmes need to work both as safety nets and springboards — cash transfers do not affect structural poverty; it is necessary also to promote access, supply and quality of services like education, health, vocational training and micro-credits," the *Poverty In Focus* report goes on. This makes the case for continuing government-aided education plans, with concrete steps to improve student and teacher attendance and performance and arrest drop outs.

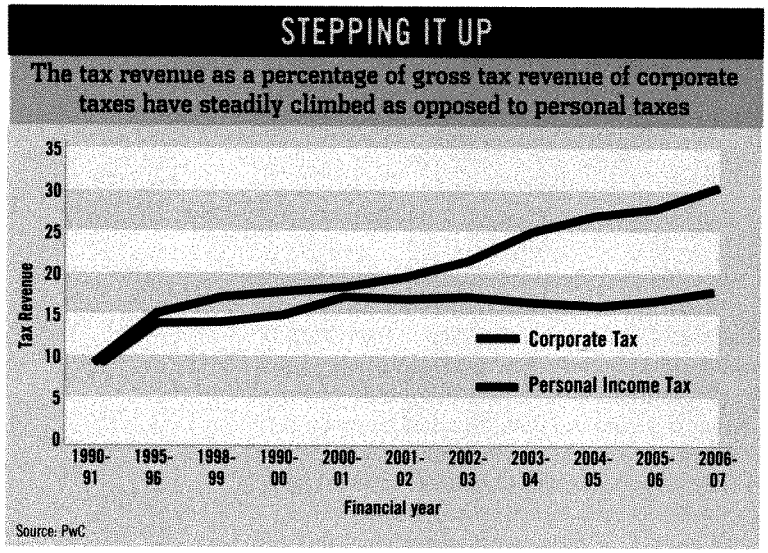
For effectively plugging the leakages, K. V. Kamath of ICICI Bank advocates the use of technology. The implementation of the NREGA in Andhra Pradhesh and Karnataka, which disburse 100 per cent of the wages through savings accounts of workers with the postal department and banks, has had far less leakages compared to other states. But there are still large unbanked areas in the country.

Yadav has written to the Prime Minister's Office seeking his intervention. In his Independence Day speech, two years ago, Singh had said of the poverty alleviation programmes, "they are our weapons in the war on poverty". It's time those weapons were used on the enemy.

puja.mehra@abp.in

The Death Of (Some) Taxes

by Ketan Dalal



Tax rates and structure have become more rational

THE DIRECT TAX REGIME IN THE PAST FEW DECADES has been transformed: in tax rates, approach, and towards taxing real income. The Task Force on Implementation of the Fiscal Responsibility and Budget Management (FRBM) Act (the Kelkar Committee) advocated a revenue-driven strategy for achieving FRBM targets. It's working: in 2006-07, the tax to GDP ratio was 10.8 per cent, from 9.8 per cent of GDP in 2004-05.

This growth is evident across the board. The proportion of direct taxes to total revenue has gone up from 19 per cent in 1991 to approximately 48 per cent in 2007-08. Corporate tax has risen sharply over the years: from 9.3 per cent in 1991 to 30.1 per cent in 2006-07; but personal income tax, also 9.3 per cent in 1991, has gone up to just 17.5 per cent in 2006-07.

How have tax rates fared? For firms, they have gone down, but only marginally; the reduction in the base line rate from 35 per cent to 30 per cent has been offset by surcharges and cess, making the effective tax rate to 34 per cent.

But tax rates have to be viewed holistically. For years, there were a variety of such disallowances — such as for sales promotion and entertainment expenses — that have been removed; though some of them have returned in the form of a fringe benefit tax, justifiably mooted to tax collective benefits enjoyed by employees. But that soon expanded into including items which had nothing to do with employees, let alone collective benefits envisaged by them.

Depreciation rates were increased at some point of time and then reduced. The last reduction was in Budget 2005, wherein depreciation rate of general plant and machinery had been reduced to 15 per cent from 25 per cent.

Several allowances, deductions and exemptions were permitted at various points in time — from development rebate to investment allowance (aimed at incentivising investments in new plant and machinery) to a plethora of others for setting up new units in backward areas. There have been sectoral exemptions, export related exemptions, deductions for computer and film software, hotels, and many others. Some exemptions continue; the rest have a sunset clause, like the exemption for units in software technology parks and 100 per cent export-oriented units. The one major exemption — a controversial one — is that for units in an SEZ.

Personal tax is also being rationalised. Although the overall tax burden has been reduced by an increase in the basic exemption limit and changes in slabs, for higher income brackets the 10 per cent surcharge has a neutralising effect. There has been relief by reduction of rates for annual income levels of Rs 2,50,000, but only marginal reductions for higher income slabs.

Savings are now more sensibly taxed, allowing deductions instead of rebates, and providing a composite limit (Rs 1 lakh) for all personal savings. The elimination of a few more exemptions (on withdrawal from life insurance, provident funds, etc.) faces implementation challenges, given the absence of social security.

The withholding tax has been strengthened by introducing electronic tax deduction at source. Long-term capital gains on sale of equity shares has been exempted; tax rates for short-term capital gains is now 10 per cent, but with the introduction of securities transaction tax.

The trend of reducing tax rates and removing exemptions has broadly continued over many years. But given the very dynamic and volatile environment, it may not be possible to adhere to this inflexibly. No one could have predicted the appreciation of the rupee and the significant drop in dollar earnings; already, the clamour for reinstating export related exemptions and deductions has begun. The next week will unfold the government's thinking at a very crucial juncture in India's economy.

The author is the Executive Director at PricewaterhouseCoopers

Bogged Down By Numbers

by S. Madhavan

ANNUAL RATE OF GROWTH				
Period	Total Gross Tax Revenue*	Customs Duties	Excise Duties	Service Tax
2002-03	15.61	11.38	13.44	24.83
2003-04	17.61	8.42	10.28	91.44
2004-05	19.9	18.47	9.2	79.95
2005-06	20.07	12.94	12.21	62.36
2006-07	29.32	32.67	5.74	63.08

*includes figures of taxes assigned to states/UTs; Source: Report of the CAG on Union Govt A/cs 2006-07

Figures in per cent

Multiplicity of taxes has made the indirect tax regime complex

THE CONSTITUTION OF INDIA ENVISAGES THE governance of the country as a federal structure, comprising the Union Government at the Centre, and the state governments in the different Indian states. Under the Constitution, the Central Government is empowered to impose taxes such as service tax, custom duties, CENVAT and Central sales tax and the states themselves are empowered to impose sales tax/value added Tax (VAT) and certain other local taxes such as entry tax and entertainment tax.

This multiplicity of taxes has made the indirect tax regime a complex one. This calls for reforms to take place so as to bring about a simplified and integrated system of indirect taxation.

The approach to tax reforms, which accelerated in 1991 with the opening of the economy, was to broaden the tax base, moderate the tax rates, integrate several taxes and, finally, prune the tax-related incentives and exemptions.

Over the years, there have been efforts to rationalise the customs duty rates, and India has taken significant strides towards reaching its aim of achieving equivalency with the rates in Asean countries. To that end, rates have already been cut to 10 per cent, with an indication that they will be cut further to 5 per cent by 2010.

Similarly, there has been rationalisation of tax rates with regard to excise and service taxes as well. Today, more than 95 per cent of product categories are charged a uniform excise duty of 16 per cent. Thankfully, there has been only one service tax rate since its inception in 1994, and the effort had been to progressively enhance the rate in order to narrow the gap between the excise tax rate of 16 per cent and the service tax rate. However, there continues to be a differential of 4 per cent between these two taxes as yet. It is likely that this differential would be further narrowed down through an enhancement in the service tax rate or there could be a harmonisation of the excise and the service tax rate at 14 per cent.

Apart from rationalisation of rates, there have been efforts to integrate taxes. A step in this direction has been taken with the integration of credits across goods and services in the year 2004. This has helped in facilitating the progression towards a pure VAT.

VAT has replaced the state sales taxes with effect from 1 April 2005 in a majority of the states, followed by its introduction in the remaining states during the period from April 2006 to January 2008. Currently, all Indian states and Union territories operate under VAT.

With the Finance Minister reiterating in Budget 2007 the introduction of a Goods and Services Tax (GST) with effect from April 2010, there is renewed optimism that the most important piece of India's tax reform initiative, i.e. the replacement of the multiplicity of indirect taxes with a single GST, is on course. Further, in terms of the announcements of the Empowered Committee (EC) of the state finance ministers over the past couple of months, it is very likely that India will implement a dual GST with effect from the above date.

Based on the available information, there will be two parts to the GST and will comprise the federal GST and the state GST. The federal and the state GST will, in themselves, be comprised of the goods tax and the services tax.

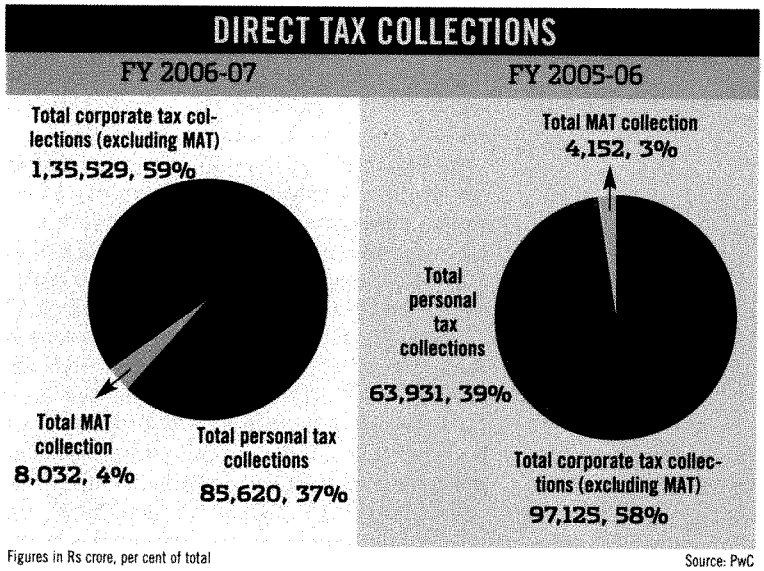
There is much debate on the likely aggregate rate of the GST and there appears to be a consensus that it may be approximately 20 per cent, which is a significant reduction from the present cumulative incidence of the excise duty and the state VAT of around 25 per cent. The additional benefit is that the base on which federal and the state GST will be charged will be uniform and this will ensure that there is no cascading, that is, there is no tax on tax.

There are several aspects of the model that are yet to be clarified by the EC, which will be addressed in due course of time. However, there is no doubt that GST is coming and India is in the last and, perhaps, the most important phase of indirect tax reforms.

The author is Leader of Indirect Tax Practice at PricewaterhouseCoopers

Of Minimal Utility

by Sanjay Kapadia



Figures in Rs crore, per cent of total

Source: PwC

The Minimum Alternate Tax has served its purpose

THE MINIMUM ALTERNATE TAX OR MAT, AS IT IS popularly known, has been around for almost two decades. MAT provides that in case income-tax payable by any company, under the normal provisions of the IT Act, is less than 10 per cent of its book profits, then that amount — 10 per cent of book profits — would be the minimum tax payable by that company.

MAT was first introduced by the Finance Act, 1987. The Legislative intent behind introduction of MAT was to make the tax system more progressive and brought highly profitable zero tax companies within the tax domain. To illustrate: companies engaged in infrastructure development are entitled to significant deductions under the IT Act, which are otherwise not taken into consideration for computing book profits, so they pay the MAT. Similarly, a company, which has purchased certain highly tax depreciable assets, may land up paying MAT in the initial years, if the depreciation on those assets as per books of account is prescribed at a much lower rate.

What MAT essentially does is take away part of the specific tax sops granted to companies in certain sectors. To an extent, it neutralises the tax concessions available to such firms.

India has been a strong advocate of progressive taxation for a long period of time; but with the economy growing at close to 9 per cent and several tax exemptions and deductions being phased out, are there any large enough zero-tax companies left to justify the MAT? Remember, companies who pay MAT are anyway entitled to get credit for the same in seven subsequent years against tax payable under normal provisions. Under these circumstances, the MAT is not a long term, additional or significant revenue generating mechanism for the exchequer.

Out of total direct tax collections of Rs 2.29 lakh crore for FY 2006-07, MAT collections were about Rs 8,000 crore, or less than 4 per cent of total direct tax collections and less than 6 per cent of corporate tax revenue. Similarly, for FY 2005-06, of total direct tax collections of Rs 1.65 lakh crore, MAT accounted for about Rs 4,000 crore: less than 3 per cent of total direct tax collections and around 4 per cent of corporate tax revenue.

Even globally, there is a movement or shift from progressive taxation to a flat tax. Russia, Hong Kong and Romania already have stable flat tax regimes. In addition, some other countries such as Mauritius, the Czech Republic, Hungary, Poland and Greece are actively considering a flat tax system.

But in the Indian context, the MAT rate was increased from 7.5 per cent to 10 per cent in the Finance Act, 2006. Much to the surprise of capital markets, the scope of MAT was enhanced further in the Finance Act, 2007 to include long term capital gains income on sale of listed securities in computing book profits for MAT purposes. Apparently, the finance ministry still considers MAT as an important part of its progressive tax policy.

Conditions have changed, though. Over the past few years, we have seen a spate of new young entrepreneurs starting their own ventures across industries. MAT could be a serious discouragement to such start-ups in their gestation period: should MAT be phased out then?

Looking at things from this perspective, one gets the impression that the shortcomings in MAT have now started to outweigh its benefits. Clearly, India has come a long way since the MAT law was introduced; perhaps the finance ministry will adopt a holistic view of these provisions in the forthcoming Union Budget. Perhaps it is the right time to infuse some simplicity in the Indian tax system, and some clarity. By all accounts, the MAT has outlived its utility. Give the law its quietus.

The author is the Executive Director, Tax and Regulatory Services at PricewaterhouseCoopers

Earn, spend, then pay tax

by Rajesh Gajra

ILLUSTRATION: ANTHONY LAWRENCE

Individual-corporate tax disparities need to be removed

INCOME TAX, AS THE WORD SUGGESTS, IS A TAX ON income. World over, there are two targets on whom it is levied — the individual and the corporation. What constitutes as 'income' that gets taxed has been subjected to different interpretations across the globe. Is the tax to be on gross income or should it be on net income that is roughly the excess of gross income over expenses incurred earning that income? In the US, the courts have held that, so far as the Constitution is concerned, the income tax could be levied on gross income and that the Constitution does not require the Congress to grant deductions from gross income.

But deductions are a part and parcel of the US tax system and most other tax systems in the world, including India's. The biggest beneficiaries of such deductions are the corporates, where a lot of the costs of running the business are allowed to be subtracted from the gross profits. The permissible expenditure is usually revenue-based, but write-offs, such as depreciation on capital expenditure, are also allowed.

Individuals are not blessed with such deductions, though. The salaried individuals pay tax on their gross income. They get exemptions and deductions, but these pertain to investments made in instruments that carry tax benefits, such as insurance premium.

The question is: shouldn't individuals be brought on a par with corporates? Salaried individuals suffer expenses to be in their jobs and stay competitive. For instance, just to reach their offices on time in city traffic would mean spending more on first class railway passes or cab fares that would not generally be reimbursed by most employers. In fact, given the pressure most office workers are under, office work often intrudes into one's personal space. For example, an executive working in a financial services company would have invested in buying a computer for his home and getting a fast broadband connection just to keep abreast of all happenings connected with his work. His company would not pay him for such expenses. "It is an unfair situation; even the perquisites are taxed through the fringe benefit tax," says Bombay-based Jayant Thakur, a chartered accountant specialising in company law.

A company, on the other hand, has a wide array of deductible expenditure to bring down its net taxable income. The corporate and accountancy laws allow for 'miscellaneous, or other, expenditure' that are never spelt out in detail in publicly-disclosed financial statements.

There needs to be a level playing field in the way income of individuals and corporates is taxed. Otherwise, corporations would be thought of, as Robert Kiyosaki, an investor-cum-businessman says in his book *Rich Dad, Poor Dad*, as being the secret weapon of the rich to shelter themselves from heavy taxation.

Even one of the most influential economists of the last century, the late Milton Friedman, talked of allowing occupational expenses in an income tax regime. In an interview with an American newspaper in 1978, he said, "... (if) I could design my ideal tax system... it would be a flat-rate tax on all income, from whatever source derived, less only a personal deduction and strict occupational expense, and that kind of income tax, I think, would be the least inconsistent with a strong free enterprise system."

rajesh.gajra@abp.in

The Holy Cow

by Feroz Ahmed

India's defence budget is likely to cross Rs 1 lakh crore

NORMALLY ARGUMENTATIVE INDIAN POLITICIANS avoid debating the defence budget. Their interest in defence expenditure is mostly limited to making political capital out of suspected or real corruption in defence deals.

Hopefully, there will be some discussion on defence spending in Parliament this time as the country is heading for its biggest ever programme for modernising its forces — more than Rs 2 lakh crore of capital spending is on the cards over the next five years.

A series of big defence procurement deals are in the pipeline — requests for proposals have already been made for many big deals, including those for the 126 medium multi-role combat aircraft, 8,400 light specialist vehicles, 140 ultra-light 155-mm 39-calibre and tactical communication system.

These procurements will add up to about $15 billion (Rs 6 lakh crore). Many more multi-billion dollar deals are on their way, including the one for more than 200 light, multi-role helicopters for the army and the air force and and a few hundred motorised and towed 155-mm 52-calibre artillery guns.

CHARGED UP: The defence budget should be accumulated instead of surrendering the amount each year

Charted Territories

For the first time, India's defence budget will cross the Rs 1-lakh-crore mark. That should be certainty given India's extensive programme to modernise its armed forces. The current year's budget is Rs 96,000 crore. Expect the Finance Minister P. Chidambaram to finish his term with the same pro-procurement fervour that he opened his term with.

In 2004-05, Chidambaram stole the previous BJP-led government's armed nationalism platform by increasing the defence budget by 27 per cent to Rs 77,000 crore and the defence capital budget by 60 per cent to Rs 33,483 crore. In its last budget in 2003-04, the Vajpayee-led NDA government added only Rs 300 crore to the previous year's defence budget of Rs 65,000 crore, as procurement was hit by the *Tehelka* exposé of corruption in army procurement. That year, the Ministry of Defence (MoD) also returned Rs 9,000 crore that remained unused. Even under the UPA, the trend of defence budgets remaining unspent has continued.

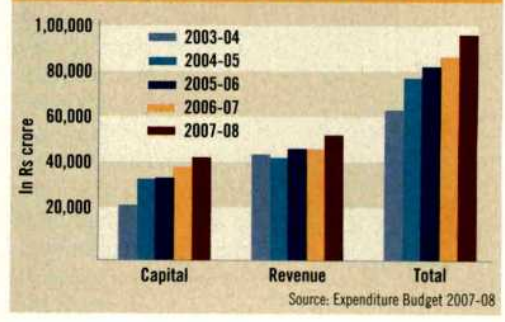
In 2006-07, the MoD returned Rs 3,000 crore because of the delays in decision making on procurement despite formulating a Defence Procurement Policy in 2006.

Brigadier (Retd) K.A. Hai, chief executive of Mahindra Defence Systems, says, "There is plenty of money for defence expenditure, but the defence procurement process needs to be more efficient to use it properly."

It is a paradox that Indian forces are waiting for arms and equipment and at the same time the ministry of defence is left with unspent budget. Most large procurement programmes are delayed resulting in cost escalation and

ALL RISE

India's defence expenditure has gone up by about a third in five years



Source: Expenditure Budget 2007-08

technological or stratetgic obsolescence of the bought items.

One recent example of an urgent equipment purchase going awry is that of 197 light helicopters for the army. In December 2007, the ministry of defence cancelled the $550 million order eight months after awarding it to Eurocopter because the company's rival objected to its fielding of a civilian helicopter for trials instead of the actual helicopter to be supplied. The process of proposals, trials, and negotiations will start again in a few months and will take 2-3 years to be completed. The same helicopters will vie for the order again, unless the ministry changes specifications, which will mean more delay.

According to Ajay Lele, a research fellow at the Institute for Defence Studies and Analysis (IDSA), the most important thing the finance minister can do with the defence budget now is allow the rollover of the unspent funds. "Large defence procurements tend to be lumpy and the defence budget should be allowed to accumulate instead of surrendering the unspent money each year," says Lele. "That will allow long-term, strategic thinking in defence spending."

M.V. Kotwal, senior vice-president of heavy engineering and head of the defence business at Larsen & Toubro, agrees. "Rolling over of unspent defence budget will remove the uncertainty over funding of the postponed programmes," he says.

The nascent private defence industry in India wants the FM to help its growth. Hai wants the 26 per cent cap on FDI in defence to be raised in order to get global defence companies to form joint ventures with Indian companies. Kotwal, on the other hands, would like the FM to provide the forces with their separate capital budget so that they could become partners in domestic arms and equipment development programmes. "The buyers involvement in development projects is critical for their technological and commercial success," he says.

The Plot Thickens

Chidambaram could also pay heed to the Army chief, General Deepak Kapoor's complains over shortage of officers in the army. The general recently cried for conscription to plug the gap of 11,238 officers in army from the authorised number of 46,615 officers. Lele contends that because of poor pay and job conditions both soldiers and officers are trying to leave forces. This is also the reason one sees an increase in the number of soldiers committing suicides or shooting superiors.

Moreover, business is the new frontier of adventure and heroism for the educated youth in the new economy-centric India. In any case, the Sixth Pay Commission could end up increasing the revenue defence budget by nearly Rs 10,000 crore when it is implemented.

At the same time, Chidambaram has an opportunity to push for reforms in the domestic defence manufacturing sector, which is dominated by protected defence PSUs and ordnance factories. Because of their inability to make high-end, modern equipment, India remains dependent on imports to upgrade its forces.

According to Kotwal, one fiscal incentive that the FM could budget is deemed export benefits to the domestic industry for import substitution.

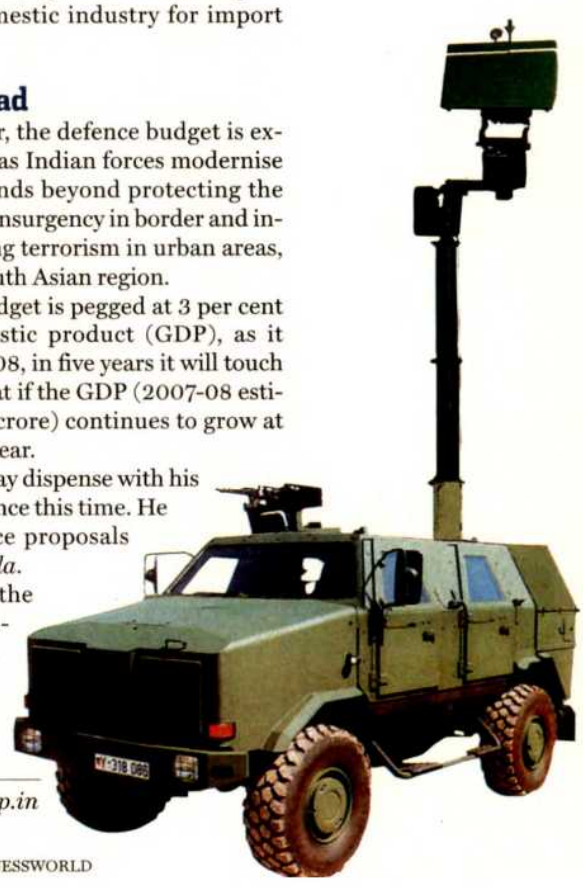
The Road Ahead

One way or another, the defence budget is expected to snowball as Indian forces modernise and their role extends beyond protecting the borders — fighting insurgency in border and interior states, tackling terrorism in urban areas, and policing the South Asian region.

If the defence budget is pegged at 3 per cent of the gross domestic product (GDP), as it would be for 2007-08, in five years it will touch Rs 2 lakh crore. That if the GDP (2007-08 estimate Rs 31,14,452 crore) continues to grow at 8-10 per cent each year.

Chidambaram may dispense with his curt brevity on defence this time. He said less on defence proposals than on *paan masala*.

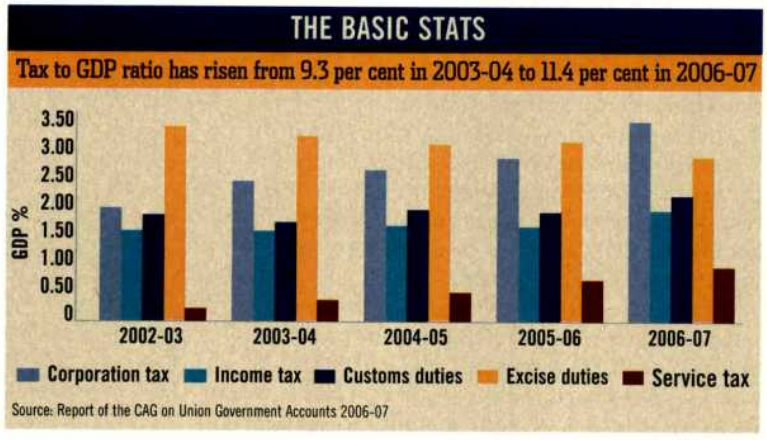
Let's hear it for the forces and the soldiers this time. What has he got to lose this time anyway?



feroz.ahmed@abp.in

A Budgetary Report Card

by Ajay Kumar



SINCE 1991, WHEN THE FIRST GENERATION ECONOMIC reforms were initiated, governments have focused on phased tax reforms. The approach: reducing tax rates, simplifying procedures, reducing litigation and widening the tax base, leading towards voluntary compliance by the taxpayers and, hence, higher collections.

How well have governments fared in realising that objective? Take a look at the fiscal policy measures and the more specific tax reforms and their collective impact on tax collections.

A major initiative towards fiscal prudence was the adoption of the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act). Under the original FRBM Bill, the deadline proposed to eliminate the revenue deficit was 2005-06. That time frame proved too ambitious. The FRBM Act, as passed, revised this deadline to 2007-08. In Budget 2004, the finance minister further extended this to 2008-09, arguing that it was more realistic.

Doing better will require moving more quickly

The Kelkar Task Force Report suggested that the government focus on widening the tax base rather than increasing tax rates, for vertical and horizontal tax equity. The report added that to establish a world-class tax system, the government should move towards an effective and efficient compliance system by using information technology. The goods and services tax (GST), at both central and state levels, was also proposed as an appropriate consumption tax model.

To simplify procedures and reduce compliance costs, the government initiated reforms in tax administration by introducing the e-return and e-payment facilities in both direct and indirect taxes. To facilitate smooth transition to the GST, the excise and service tax credit rules were integrated. To keep the commitment of bringing down the customs duty rates at par with the Asean levels, the peak rate of customs duty has been reduced to the present 10 per cent.

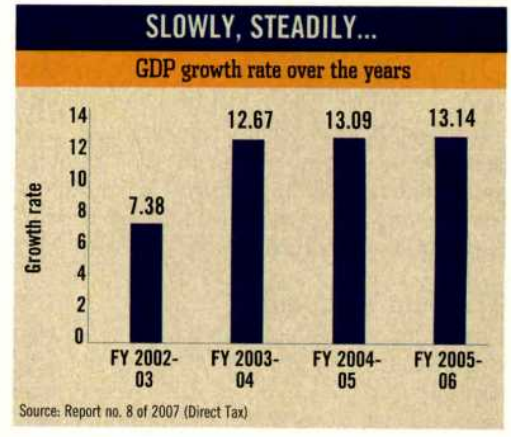
Gross tax revenues have grown by 19.9 per cent, 20 per cent and 27.8 per cent, respectively, in the first three years of the UPA government. The tax to GDP ratio has increased from 9.2 per cent in 2003-04 to 11.4 per cent in 2006-07.

Measures have been taken to widen the tax base by reducing the tax rates, shifting the burden of tax from production to consumption, taxing value addition in goods and services and simplifying the tax administration. But several issues are unresolved: the fate of various concessions and exemptions in our fiscal regime, administrative reform and aligning tax policy with the liberalised regulatory regime, whether in outbound investments or the introduction of the limited liability partnership concept.

Foregone Revenues

Have governments done well in raising tax collections? For robust analysis, it is important to look at the figures of revenues foregone by the government. The charts (see 'In Absolute Numbers' and 'A Relative Analysis') depict the pattern of tax foregone during 2005-06 and 2006-07 in both direct and indirect taxes.

On an annual basis, the government gives up almost 50 per cent of gross revenue collections because of exemptions and concessions to various sectors. The largest loss in 2005-06 was due to various incentives given to exporters and importers (customs duty). In 2006-07, lost revenues attributable to customs duty came down but the losses attributable to excise duty went



REVENUE DEMANDS RAISED BUT NOT REALISED

Description	As at end of 2004-05			As at end of 2005-06		
	Total amount under dispute	Total amount not under dispute	Grand Total	Total amount under dispute	Total amount not under dispute	Grand Total
Taxes on income and expenditure	55,697.00	42,917.00	98,614.00	59,927.00	15,547.00	75,474.00
Corporation tax	33,196.00	9,938.00	43,134.00	28,378.00	9,626.00	38,004.00
Taxes on income other than corporation tax	22,501.00	32,979.00	55,480.00	31,549.00	5,921.00	37,470.00
Taxes on Commodities and services	9,650.34	2,843.44	12,493.78	10,453.14	4,328.74	14,781.88
Customs	2,195.75	1,032.41	3,228.16	2,442.94	810.02	3,252.96
Union excise	7,227.00	1,633.28	8,861.14	7,600.87	3,413.43	11,014.30
Service tax	226.73	177.75	404.48	409.33	105.29	514.62
Total	65,347.34	45,760.44	1,11,107.78	70,380.14	19,875.74	90,255.88

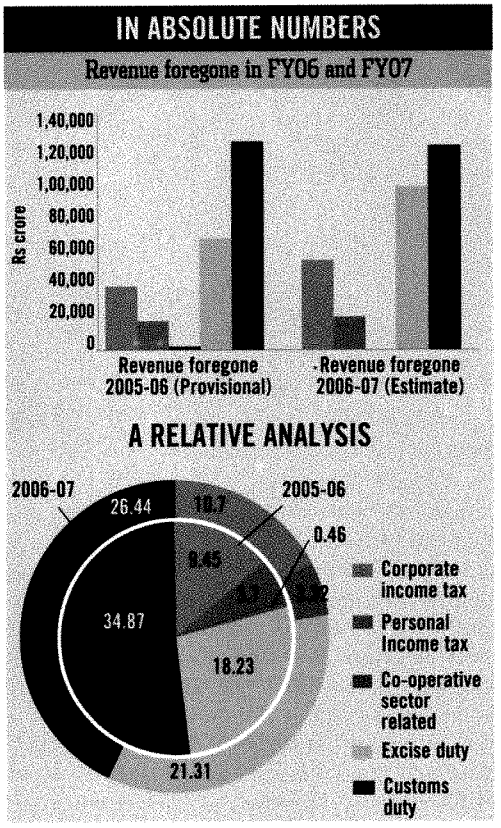
Source: Receipts Budget 2007-2008

up, when the area based exemptions became operational. The charts suggest that while the government may be taking steps to increase revenues, it is not able to stop these large leaks that impact economic growth significantly.

Comply or be sued?

The total number of tax assessees grew from 26.2 million to 29.8 million from 2001-02 to 2005-06. Non-corporate assessees constituted 98.68 per cent of the total tax base. Government policies have not been successful in widening the tax base beyond firms. Tax disputes also have significant cost implications for both businesses and government. The table above indicates the large amounts in litigation, in both direct and indirect taxes.

Although corporate tax is not the largest contributor to tax revenue, it is one of the major contributors to tax disputes. The absence of requisite awareness amongst tax payers, as well as the tax administrators, is the primary reason for the current state of affairs. Judicial pronouncements displaying divergent views aggravate the problem. Could it be that a part of the increase in tax collections can be attributed to the collection of arrears, and not necessarily because of tax reforms? Given the litigious nature of tax authorities could it also be that high collections are the result of a multiplicity of rates?



Figures for 'A Relative Analysis' are in per cent; figures of Gross Tax coll. for 2005-06 are actual, those for 2006-07 are revised estimates; Source: Receipt Budget 2007-08

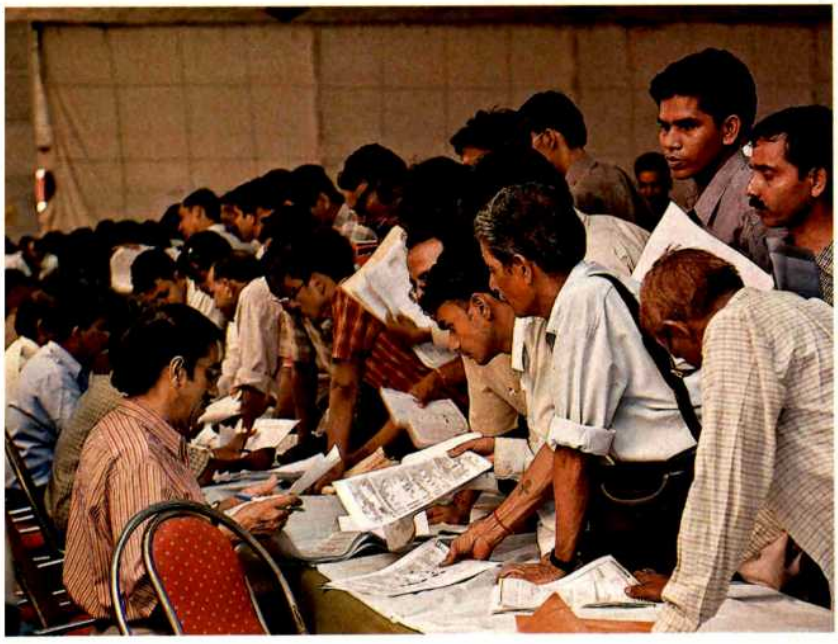
A Possible Agenda

A recent PricewaterhouseCoopers-World Bank Study indicates that the total tax contribution (as defined in the study) of a representative company in India (based on a sample taken for the world-wide study) could be as high as 80 per cent. There are many ways by which the government could reduce this. These range from modification of tax laws to reducing compliance costs and enabling a tax-payer-friendly administration. There is also merit in consolidating some taxes while eliminating some others. Independently, one key measure is to put in place a suitable dispute redressal mechanism. Clearly, there is some way to go before India can join the ranks of countries with user-friendly, broadbased and moderate tax regimes.

The author is the Executive Director, Pricewaterhouse Coopers

Wanted: Efficiency

by S. Madhavan



TRIBHUWAN SHARMA

SAY NO TO LINES: Income tax assessees can now file e-returns and make e-payments for taxes

THE QUALITY OF REVENUE ADMINISTRATION significantly influences the investment climate in a country, and one that is arbitrary or predatory discourages investment. Also, weaknesses in enforcement capacity put law-abiding firms at a disadvantage, as other firms can get away with tax evasion. Reform of tax administration may be needed to enable it to keep up with the increasing sophistication of business activity. Without a matching increase in the professional and technological capacity of the revenue administration, its ability to monitor such activity is seriously compromised.

Effective tax reform needs efficient administration

India follows the 'type of tax' model of tax administration. This entails the operation of separate departments for each tax and its particular variations that are largely independent of each other. Overlaid on the 'type of tax' model, there is a geographical one. Jurisdiction over tax matters is geographically distributed to the commissionerates, divisions, ranges and circles.

The complexities of tax laws in India and discretionary powers with the officers to interpret them have led to subjectivity. The approach has been that of a revenue collector, rather than that of a facilitator of business, with tax oversight.

Several tax administrative reform projects have been undertaken in India, but their objectives have been in and around a variety of factors — improving organisation and management of revenue administration, strengthening the regulatory framework, broadening the tax base, and facilitating voluntary compliance.

The introduction of the Large Taxpayer Unit (LTU) Scheme has been welcomed by a large section of industry. The first LTUs in the country have come up in Bangalore and Chennai and similar units are to be established in other cities, but the experience has been a mixed one so far. Income tax assessees can now file e-returns and make e-payments for taxes. Similarly, excise/service tax assessees have the facility of e-payment of taxes. E-payments of indirect taxes are mandatory for certain categories of tax payers. The government is implementing a project named Automation in Central Excise and Service Tax (ACES) with focus on improving the indirect tax administration.

Measures to reduce pendency in litigation and to bring in harmony in the interpretation of tax statutes have been introduced. The setting up of the National Tax Tribunal, introduction of additional benches of the Appellate Tribunals and creation of a tax ombudsman for tax payers are some of the initiatives. On indirect taxes, provisions have been inserted in the statutes to encourage up front payment of taxes through reduced penalties, enhancement of monetary jurisdiction to facilitate adjudication at lower levels, etc. On direct taxes too, there has also been talk about introducing a new income tax Act with emphasis on defining terms used as lucidly as possible. The government has also set up a committee to identify anti-abuse and anti-avoidance provisions that need to be incorporated in the tax treaties India has signed.

For revenue administration reform to be successful, critical requirements have to be met — a strong political commitment to reform, with clear decisions and the provision of necessary resources; professional and stable leadership; a willingness to abandon old, ineffective practices; and the establishment of a formal reform project with a clear achievable mandate, agreed objectives, and realistic time frames.

Sustained and well thought out efforts in implementing global best practices will help modernise Indian tax administration. The government's efforts reflect its commitment to tax reform process, but there is still a lot to be done.

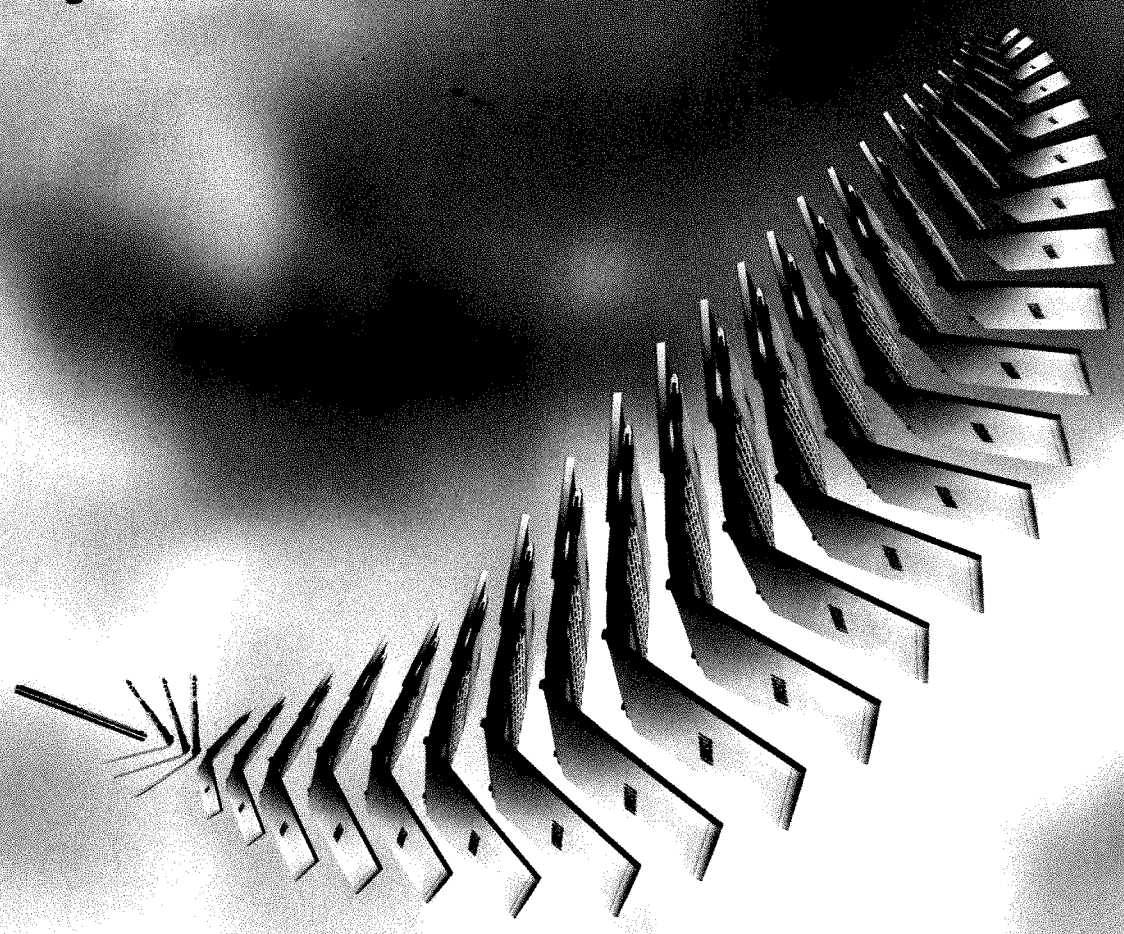
The author is Leader of Indirect Tax Practice at PricewaterhouseCoopers

TOSHIBA

Leading Innovation »»

Toshiba recommends Windows Vista® Business

"TOSHIBA" to 56677



Ultra-slim, Ultra-light, Ultra-loaded.

Toshiba Portégé R500

Intel® Centrino® processor technology

Leave it to Toshiba to redefine true mobility in notebook computing for the executive... yet again. The new Portégé R500 is practically a paradox in notebook engineering – fully loaded power-user features in an astonishing **19.5mm***1 super-slim, **979g***2 durable body, plus up to **12.5 hours***3 of battery performance, making it the slimmest*1 and longest*3 performing computer in its class. For on-the-go-mobility, style and extreme productivity, the Portégé R500 is as much a wonder to look at as a marvel to use.

Specifications for model no. PPR50L-031003 as of June 2007, based on Toshiba survey.
*1 Thinnest widescreen 30.7cm (12.1) notebook equipped with optical disc drive, measured at thinnest portion.
*2 Model equipped with solid state drive, optical disc drive and 6-cell battery.
*3 Longest battery life among widescreen 30.7cm (12.1) notebook under 1kg, equipped with 6-cell battery according to JEITA's measurement method Ver. 1.0.

Toshiba Mobile Computing Partner:
HCL Infosystems Ltd.

Ahmedabad: 9824651617. **Bangalore**: 9844155903. **Bhopal**: 9993077677.
Bhubaneshwar: 9937044633. **Chandigarh**: 9316520266. **Chennai**: 9840919945. **Cochin**: 9846890909.
Coimbatore: 9994447334. **Dehradun**: 9319056109. **Delhi**: 9871062299 or 9871094959.
Guwahati: 9831749747. **Haryana**: 9254092597. **Hyderabad**: 9949991494. **Jaipur**: 9928332222.
Jammu: 9419191548. **Kolkota**: 9903055793. **Lucknow**: 9415043478. **Mumbai**: 9860020687.
Pune: 9850972129. **Raipur**: 9893151488. **UP West**: 9336620154.

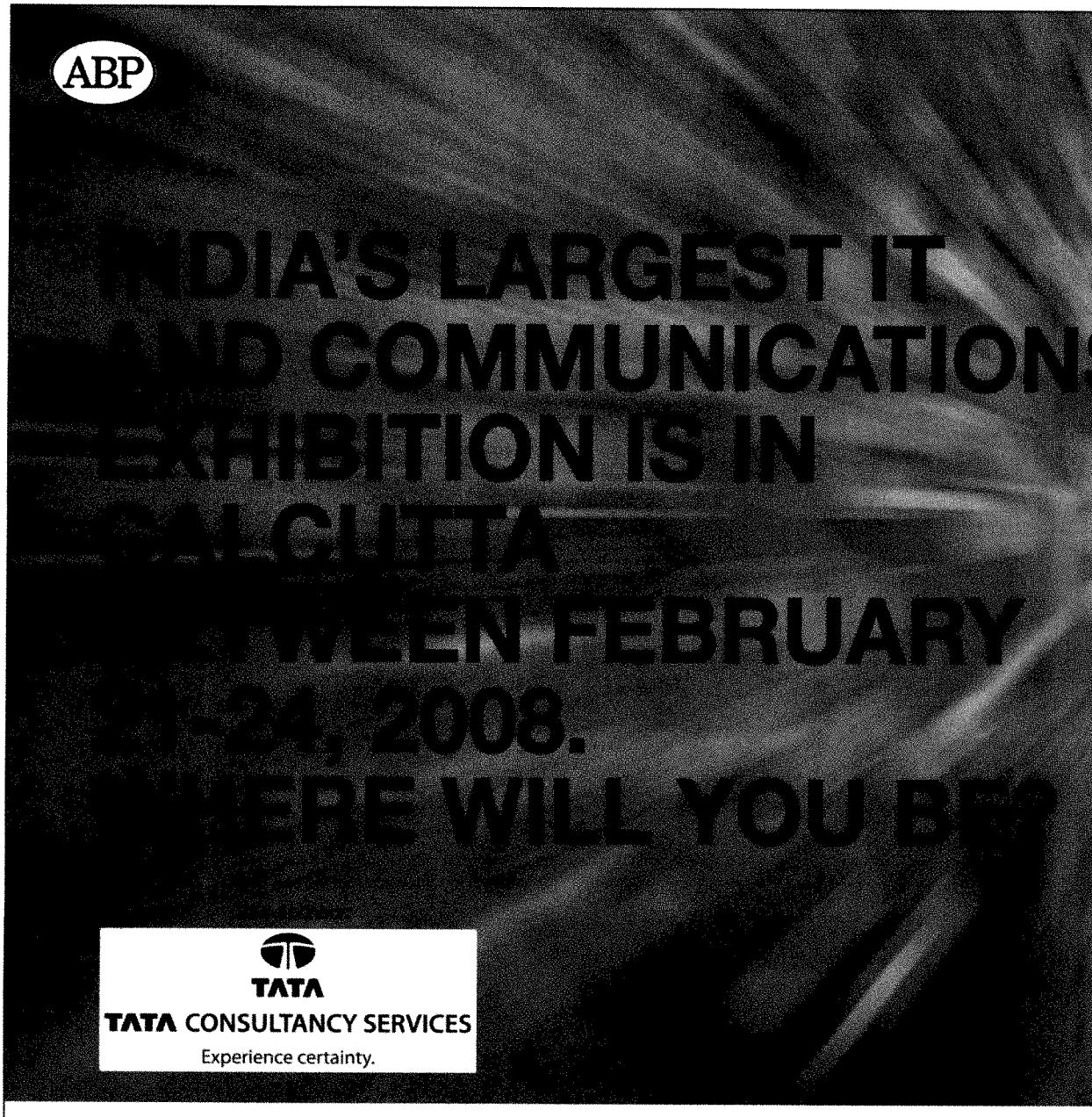
intel Centrino inside

Core™2 Duo inside™

beyond freedom

www.pc.toshiba-asia.com

© 2007 Toshiba Singapore Pte Ltd, Computer Systems Division (South and Southeast Asia Regional Headquarters). Intel, the Intel logo, Centrino, Centrino Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Microsoft and Windows Vista are either registered trademarks or trademarks of Microsoft Corporation in the United States and other countries. All other products and names mentioned are the property of their respective owners. Availability and configurations may vary by region. Battery has a 1-Year carry-in International Limited Warranty. While Toshiba has made every at the time of the press announcement to ensure the accuracy of the information provided herein, product specifications, configurations, warranty, pricing, system/component/options availability are all subject to change without prior notice. Toshiba will not be liable for editorial, pictorial, and typographical errors. For online warranty registration, please visit www.pc.toshiba-asia.com/registeronline. RCB No.197401688Z



International Media Partner:

CNN

Radio Partners:

91.9fm friends

superhits RED FM 93.5 Bajaate Raho!

Official Banker:

United Bank of Ind

CISCO

Cognizant

কম্পিউটার চিত্রিতা
Computer Bichitra Bangladesh

EMAAR MGF
CREATING A NEW INDIA.

FU

PAILAN GROUP

SAP

HDIL Creating Value
Microstructures | Megastructures | Infrastructure

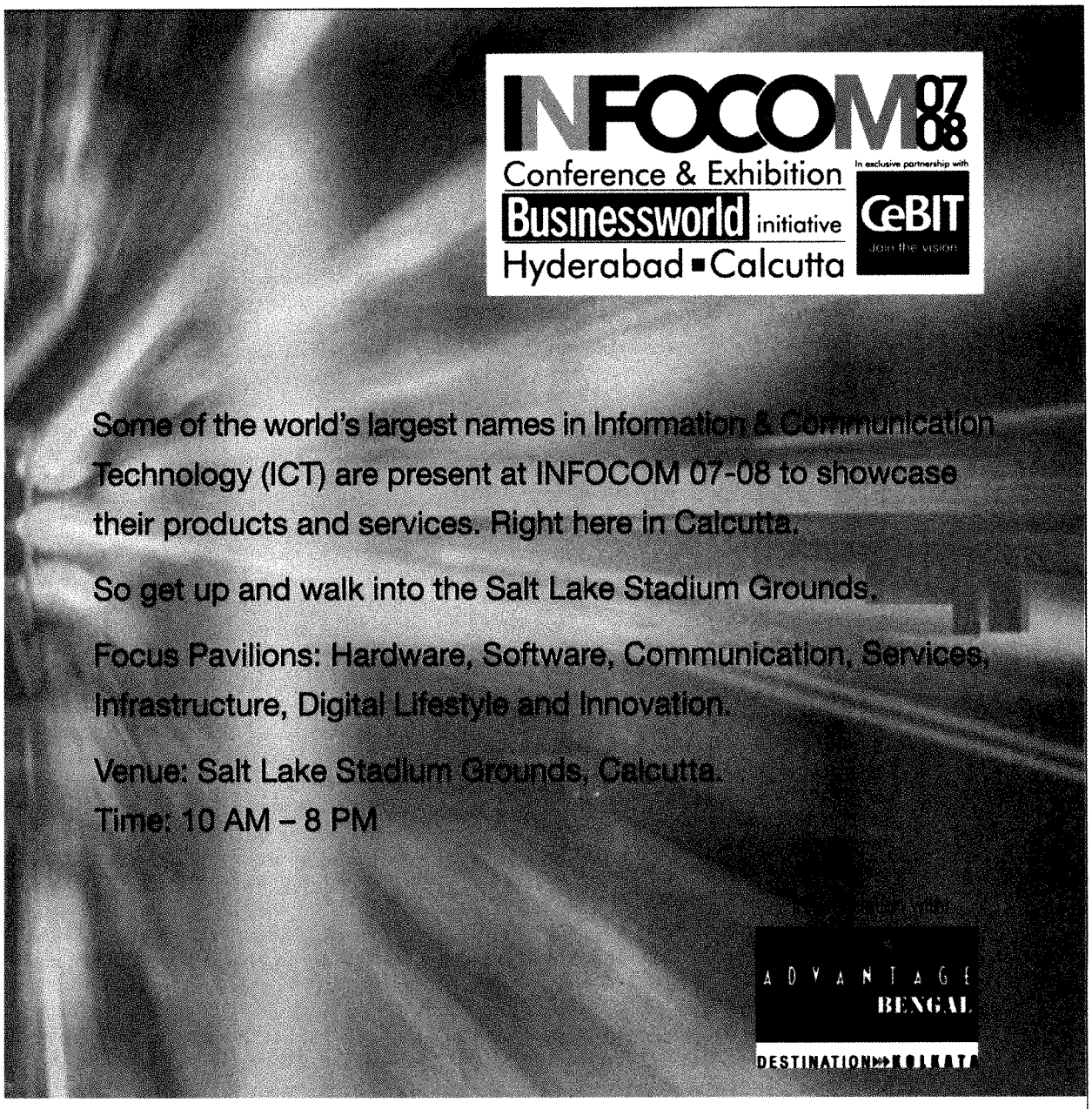
HITACHI
Inspire the Next

symantec.
Confidence in a connected world.

TATA
TATA COMMUNICATIONS

Team Educational Society
under the aegis of
Department of Sports and Youth Service

Texas Instruments



Partner State: झारखण्ड सरकार

Official Airline: AIR INDIA

Associate Sponsors:

AXSYS TECHNOLOGIES

CAMELLIA GROUP

Webel opportunities infinITe

FUTURESOFT™

PRICEWATERHOUSECOOPERS

INFOGEN global

PRESIDENT e first name in enclosure systems

Avocent

SIEMENS Siemens Information Systems Ltd.

Sun microsystems

NDIA

UP

UGFA Quality that's unbeatable

WBSEDCL

WDC

Seagram's BLENDERS PRIDE MAGICAL NIGHTS

Not A Dismal Picture

by veena mishra

AT THE END OF THE BUDGET SESSION LAST YEAR, the disappointment in the room was palpable. Hard-earned tax money frittered away on a range of 'development schemes' — a movie we'd seen a zillion times before, with no happy endings in sight, as yet.

Today, 12 months down the road, I stand corrected. The disappointment was both misplaced and premature. Misplaced, because the UPA government had enunciated 'faster and more inclusive growth' as it's key objective fairly early in the day, and setting out a budget clearly attuned to serving the task should have been a positive rather than a negative. After all, we finally had a government that was allocating expenditures to areas all of us thought governments should focus on: agriculture, rural development, education, health and infrastructure. What was so wrong with that? Our past history of poor delivery on this front? But that was prejudging delivery and history, as we well know, is not always the best guide to the future.

Through its budgets, the government is delivering on its objectives of faster and inclusive growth

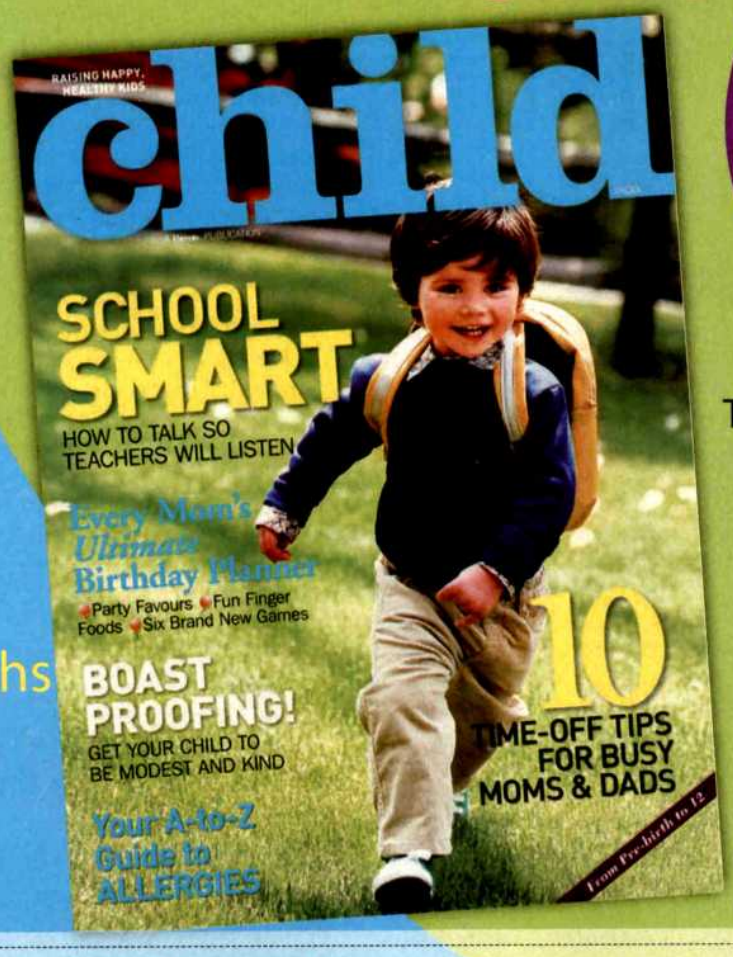
Contrary to reports in the popular press, investments in flagship schemes such as the Sarva Shiksha Abhiyan (SSA), Pradhan Mantri Gram Sadak Yojana (PMGSY), Accelerated Irrigation Benefit Programme (AIBP), Indira Awas Yojana, etc. are beginning to pay off. Taking the first, for example, while the Annual Survey of Education Report (ASER) 2006 was fairly critical, ASER 2007 (Rural) reports a reduction in school drop-outs across all age groups in rural India with significant improvements in reading, writing and comprehension abilities as well. Progress under the various Bharat Nirman projects, while slow initially, has now picked up speed, with achievements in FY06 and FY07 ranging between 75-80per cent of targeted levels in the case of roads, and between 75-89 per cent in the case of the AIBP (source bharat nirman website). The increased emphasis on agricultural research and extension services is, of course, welcome and long overdue. In fact, public investments in agriculture, which had been declining in real terms for more than a decade, have witnessed a smart pick up in the last three or four years. Recent data (April-December '07) from the CAG underline this trend- after many years of very poor growth, the Union Government's capital expenditure outlays under the Central Plan are likely to overshoot Budget Estimates for this fiscal. Finally, with regard to non-rural infrastructure — power, roads, ports, highways, rail, etc. that are key to ensuring faster growth of labour-intensive manufacturing industries, the government has clearly embraced the PPP route and while there have been several hiccups in the roll out, one gets the sense of steady forward movement in this regard as well.

It seems, thus, that in a significant break from history, we finally have a government that is striving to deliver on elements critical to reaping the country's demographic dividend and sustaining a higher growth trajectory in the future.

There are undoubtedly disappointments with the budget as well, viz., burgeoning fertiliser subsidies, pushing agricultural credit too far, too fast, moving a tad too slowly on the GST front, inverted customs duty structures, halting disinvestment, not grasping the opportunity for deeper fiscal consolidation in the last couple of years and thus making room for inflation management and the SPC, and so on . But, to my mind, the positives are overwhelming. Through its budgets at least, if not much else, the UPA government is delivering on its objectives of faster and more inclusive growth, perhaps "...not wholly or in full measure, but very substantially". And that is a significant positive.

The author is Senior Economist at Mahindra and Mahindra

your child could be on the cover of child



that special something child cover hunt

*Prizes worth Rs 5 Lakhs to be won!

Take 1-2-3 Easy Steps...

1 **TAKE 2 PHOTOGRAPHS** of your child (up to 12 years) and have them printed in 5" x 7".

2 **READ THE RULES** on the website www.childmag.in

3 **FILL THE FORM** below, and send it with your child's photographs and entry fee of Rs. 600 only.

Free! Annual subscription for all participants worth Rs.1200/-

That Something Special Child Cover Hunt Form

I would like my child to participate in the contest

Child's Name: ..... Gender: ..... Age: .....

Mother's Name: ..... Father's Name: .....

Address ..... Pin: .....

Mobile & Home Nos. ..... Cheque/DD No. .....

Number of children participated: .....

Please charge my: Amex ☐ Visa ☐ Master ☐ Diners ☐

Card No.: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Card Expiry Date: ☐☐ ☐☐ Cardholder's Signature: .....

Declaration: I have read and accepted all the terms and conditions of the contest. All the information provided is correct and the pictures are recent.

Signature of Parent: ..... Relationship with Child: .....

Terms & Conditions:

- Fill the form completely and send it with two 5"x 7" photos of your child to: **Child Cover Hunt, Media Transasia India Ltd , K-35 Green Park Main, New Delhi 110016**
- Children up to 12 years are eligible to take part. • At the back of the photograph please mention the child's name and age. • Seperate form to be filled for each participant.
- Entry fee Rs. 600/- to be paid by cheque/DD in favour of Media Transasia India Ltd., payable at Delhi. • For queries, e-mail : childcover@mtil.biz .
- For further details,contact Nikita at 0989941436 (Delhi), 09930967439(Mumbai) /SMS CHID to 53636; for rules and categories,please log on to www.childmag.in
- All disputes subject to the exclusive jurisdiction of competent courts and forums at Delhi/New Delhi only.

Conditions apply. Contest closes 15 March, 2008.

child is under license from Meredith corp. U.S.A **child** is brought to you by Media Transasia India Ltd. Publishers of Swagat/Golf Style/ Better Homes and Gardens/Travel+Leisure

child The World's Leading Parenting Magzine . . .Coming Soon to India!

A Home Truth

by M. Allirajan

The FM's borough is the most backward in Tamil Nadu

IT'S JUST PAST NOON AND A GROUP OF MEN GATHER in the elegantly-built Chettinad house at Kandanur in Tamil Nadu. An old man in his 70s from rural Chettinad approaches Finance Minister P. Chidambaram with a handwritten petition and then retreats to the entrance of the house to wait. Chidambaram, sitting in his ancestral home, patiently reads it.

The old man's request — to set up a petty shop — may seem too trivial an issue for a man who helms a trillion-dollar economy growing at a 9 per cent clip, but the pressures of retaining his seat as a member of Parliament from Sivaganga necessitates that Chidambaram leave aside the burdens of the budget or a wildly oscillating stockmarket and voyage from Delhi to his homeland to tend to his flock.

On his most recent visit, this correspondent has travelled along with the finance minister's entourage, visiting Sivaganga, Karaikudi, Kanadukaathan and Kandanur in the region. Chidambaram politely declines *BW*'s request for a chat despite our assurances that it has nothing to do with the budget. "Ask the people," he quips when we query him on how he assesses his own performance as an MP. In less than 12 hours, Chidambaram undertakes a whirlwind tour of his constituency attending six programmes, which included several events organised by banks to give away loans, a wedding (of a district party leader's son) and the inauguration of a local panchayat office.

It is difficult to reconcile the Harvard graduate, prominent advocate and current financial whiz who grew up in an affluent family, with Sivaganga — a backward and resource poor area in the Chettinad region in Tamil Nadu and worlds removed from the heady circles of power and prestige that Chidambaram moves in.

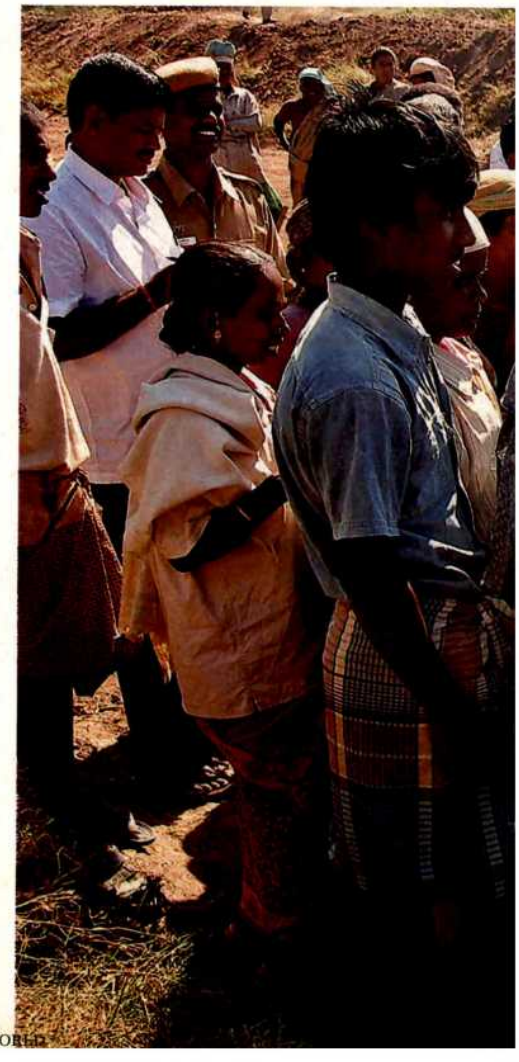
Yet, on this trip, the finance minister shows that he belongs, exhibiting an easy familiarity with his constituents, chatting in fluent Tamil, patiently listening to their concerns and offering an audience to their complaints. His much-vaunted attention to detail is no different here as he soaks up the intricacies of de-silting tanks and making coir products, from the locals.

How has Sivaganga fared under Chidambaram? This primarily agrarian district has added 19 bank branches since 2005, taking the total to 155 — a significant development for a backward area such as this. A main road in the town boasts of a banking complex with ATMs inside it. Adding to this has been a considerable increase in the access to finance, according to Lead District Manager of Indian Overseas Bank, P.L. Gnanapandithan. Advances in the district have grown 67.7 per cent to Rs 1485.5 crore between March 2005 and 2007 (see 'State Of Finances In FM Land' on page 130).

A Road Less Travelled

Chidambaram's main focus area in his home region has been education loans and advances to women self-help groups (SHGs), and these have also shown dramatic improvement. Education loans have grown from Rs 3.57 crore in March 2004 to Rs 25.76 crore in March 2007 and advances to SHGs from Rs 73.35 crore in March 2006 to Rs 91.35 crore in March 2007.

Also, conserving water in Sivaganga is an



important issue as farming in the region is mostly dependent on rain-feed, and Sivaganga has 4,000 tanks — the second highest in the state — to accomplish this. A Rs 200-crore World Bank-funded project to de-silt tanks and strengthen bunds in Sivaganga has given the community a major boost.

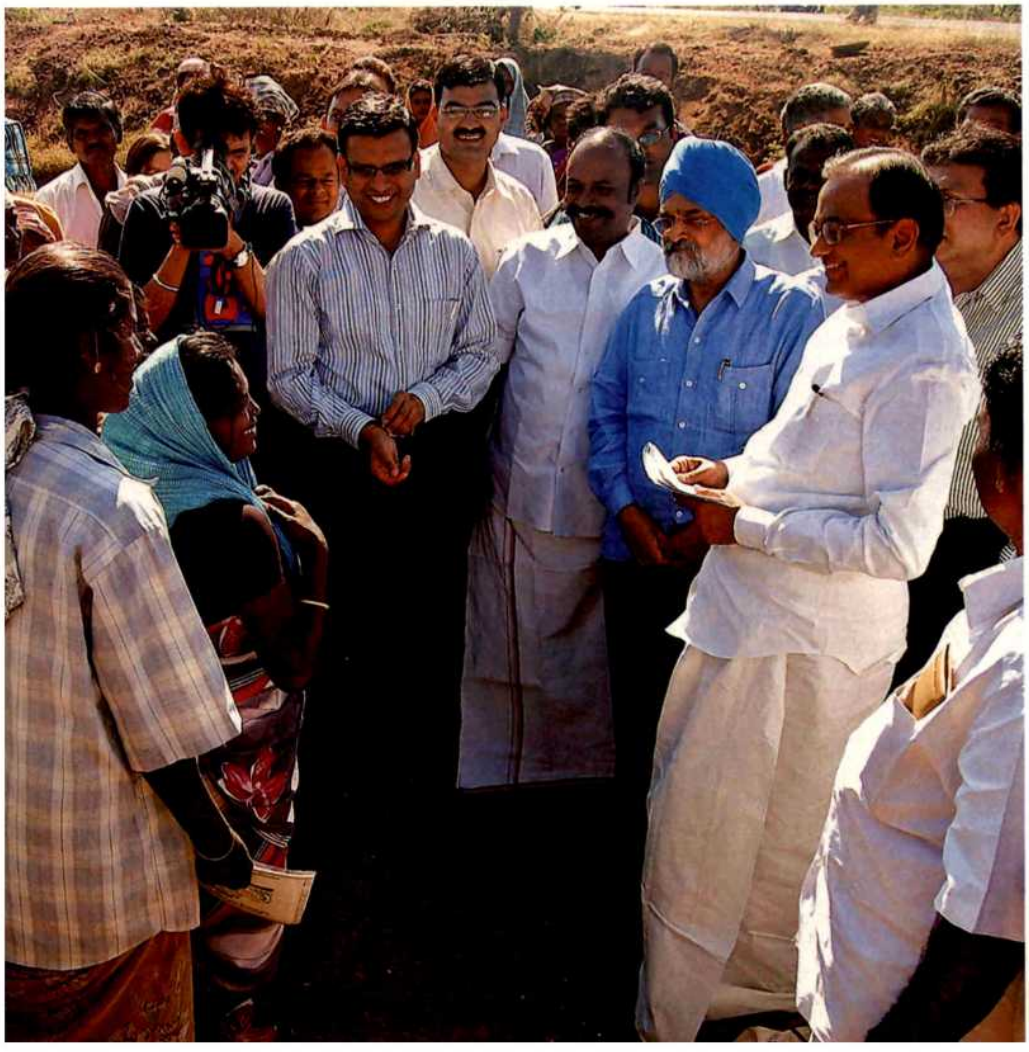
While politicians are known to curry favour with their electorates by doling out concessions and sops, Chidambaram is far more principled. He introduced a first-of-its-kind loan scheme for goldsmiths in Karaikudi, but when interest defaults rose, he stopped it. Locals anxious to reap its benefits petitioned his office in Delhi but help came after a while. Chidambaram wanted his constituents to understand that it pays to be a good borrower.

"I could have ordered the bank to give loans," he tells a packed audience in Kanadukaathan. "Since it is a nationalised bank they would have done it. But it would have been an unfair order. People all over the country have similar demands. Only if you repay properly you would get more loans," he reminds them, revealing his renowned plainspoken directness.

Funding Their Dreams

For a resource-starved area flush with agricultural workers, perhaps the most valuable benefit that Chidambaram has brought to it is ensuring that the 1,400 villages of Sivaganga be brought under the aegis of the National Rural Employment Guarantee Scheme (NREGS), the UPA government's flagship programme.

With a central grant of Rs 72.83 crore, the scheme is on in 445 village panchayats benefiting more than 100,000 families, according to local Congress leaders. Even his critics in the constituency grudgingly admit that the scheme is helping the rural folk who would normally migrate out of the region in search of employment. "The scheme has increased the purchasing power of people," admits a local CPI (M) functionary. While there is also talk of irregularities in the muster rolls, the Rs 80 per day work for 100 days has brought in large-scale employment and relief in this opportunity-starved district.



PEOPLE CONNECT: Chidambaram has brought Sivaganga's villages under the aegis of the National Rural Employment Guarantee Scheme

STATE OF FINANCES IN FM LAND

Access to credit has improved in Sivaganga

	Mar '05	Mar '06	Mar '07	Apr '07-Sep '07
Total deposits	1,417	1,625	1,871	1,975.98
Total advances	885.6	1,031.3	1,485.5	1,533.23
Credit Deposit Ratio (%)	62	63	79	78
Advances to Agriculture	428	548.9	766.8	762.58
% of Agri Advances	48	53	52	49.73

Figures in Rs crore

Source: Lead District Bank, Sivaganga

However, many of his critics in Sivaganga — largely from the Left — feel that these efforts are mere drops in the ocean compared to what could have been done for the area by a person of Chidambaram's influence. One major grouse among some of his detractors, such as Sivaganga's CPI-elected representative to the state assembly, S. Gunasekaran, is that he has not used his clout to bring the much-needed industry to Sivaganga. Apart from an LPG bottling plant set up at a cost of Rs 50 crore and a few paper mills, no major industrial units have been set up in the region in the past four years. Others point out that, in fact, industrial and infrastructure development in the district is at the same stage as it was many years ago.

While there is evidence of patchwork jobs being done on roads in a few places, the road network within the district seems to be in poor shape. Though allocations have been made, works to improve several National Highways cutting across this vast constituency are yet to commence in a major way. In the area of social development, Chidambaram, as a national representative of his constituency appears to have fared poorly. Apart from a Kendriya Vidya Bhavan that was recently built because of Chidambaram's efforts, Sivaganga does not have a single hospital or school of reasonable standard or scale — both essential to any area's ambitions of development and relative prosperity.

To add to Sivaganga's woes, the region has also seen a recent unravelling of co-operative lending institutions. In 2005, the Sivaganga District Central Co-operative Bank (SDCCB) slipped into financial distress. The Reserve Bank of India (RBI) imposed restrictions on SDCCB, restraining it from accepting or renewing deposits that year. "Ordinary farmers depend only on co-operatives for loans. But in Sivaganga the co-operatives have become sick," says A.R.K. Manikam, district secretary of the Tamil Nadu Vivasayigal (Farmers') Sangam (Association), in Sivaganga.

Of the 124 primary agricultural co-operative banks (PACBs), 95 are not functioning leaving farmers in the lurch, says Manikam. "PACBs are directly linked to farmers' lives," he states. The poor health of these co-operatives has been a major sore point in the state and was a hot political potato, with the then Chief Minister Jayalalitha accusing Chidambaram of "hurting people in his own constituency".

While Chidambaram can hardly be blamed for all of this, his standing as one of the country's most astute finance ministers is a startling paradox to the widespread failure of lending institutions in his own constituency. Still, there is little that Chidambaram can do in a region where the farmer's fortune depends on seasonal monsoon rains. Recovery, or repayment of loans remains a problem, say officials. Efforts are underway to revive some of these moribund institutions, says N. Sundaram, Chidambaram's constituency manager, who represents Karaikudi in the state assembly. For instance, the defunct PACB in Alampattu village has been revived, he says, and co-operatives are being given a fresh lease of life by infusing about Rs 200 crore into the SDCCB.

The Man And The Minister

As a politician, Chidambaram doesn't come close to the allure of larger-than-life leaders of Tamil Nadu such as an Annadurai or an MGR or even a Jayalalitha. However, his qualities as a simple down-to-earth person have endeared him to his constituents, and his iconic status as finance minister whose advice is sought after by leaders both in the political and business realms make him especially invaluable to Sivaganga.

While Chidambaram has won six out of seven elections contested from Sivaganga since 1984, the majority of his victories have come from riding the crest of anti-incumbency, anti-corruption or sympathy waves, rather than on his own merit. The rest of the time he has been forced to forge alliances. His loss in 1999 is significant since he came in a distant third, winning only around 20 per cent of the votes. Many observers suggest that this percentage is his actual core support base and without the help of the major Dravidian parties he would have difficulty winning his seat again.

In next few days, Chidambaram will be consumed by all matters pertaining to the presentation of the Union Budget. Still, considering the sobering realities of his electoral vulnerability and the dependence on political alliances, the finance minister would do well to pay more attention to the pressing demands of his constituents for more infrastructure and social development.

m.allirajan@abp.in

sananda
সানন্দা
the world within her

The Bengali New Year or *Naba Barsha* is just round the corner. The *Sananda* woman is gearing up to splurge guilt-free... to celebrate the festive spirit by shopping for herself and her loved ones.

But she's waiting. Waiting for the *Sananda Naba Barsha* special...to search for her best fit from the world of fashion, trends and lifestyle. But you can't wait. Book your way into this special number, today.

And see her riches convert to your revenue.

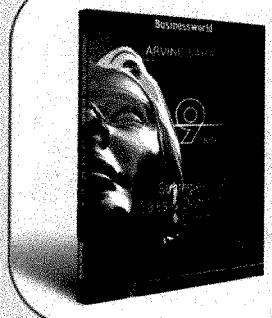
naba barsha

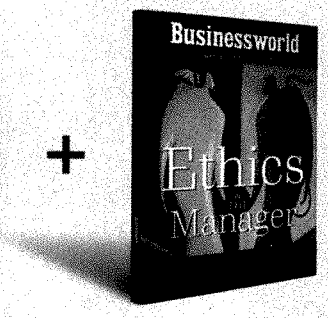
For business information contact:

Bangalore Atithi Samanta 9845047944 Chennai Anantha Krishan 9840970776 Delhi Anirban Bagchi 9811040043 Kolkata & Rest of East Abhiroop Ghoshdastidar 9748004498 Mumbai Bipasha Roy 9821602929

PRESENTING

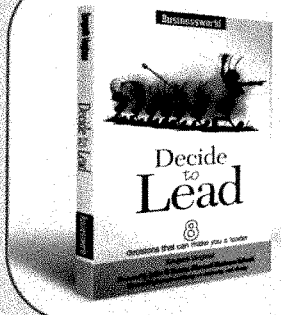
NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.

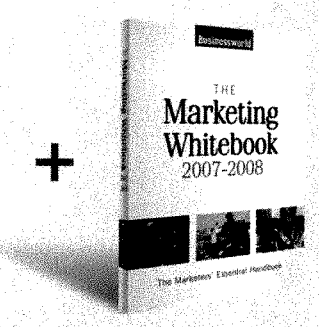




Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-





Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order, fill this form & mail it to us:

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

In case you wish to gift the books, please fill in the following information:

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amour

of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Mar; New Delhi- 110002, Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-22 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 714 Email id: businessworldsubscriptions@abpmail.com.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation c the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forum in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

LUXURY

Style at sea

Indians are discovering leisure and luxury at sea as yacht sellers come ashore

IT IS SIMPLY UNBELIEVABLE! DESPITE A COASTLINE of nearly 7,000 km on three sides of the mainland and two island territories, Indians just do not use the sea for fun. However, that is beginning to change. The yachts are sailing in, and the new, rich India is beginning to be drawn to style at sea.

From 28 February to 2 March, Mumbai will host its second annual International Boat Show. It will be a big mela to see and buy yachts, especially the medium- and big-sized luxury boats.

Vishal Chaudhry, whose Aquamarine Leisure deals in the UK-made Princess motor yachts, expects 30-40 new luxury boats to be displayed at Gateway of India harbour during the show. "Unlike 2007, when much of the Rs 200-crore business at the show centred

CRUISING GLORY: Yacht cruises make a wonderful adventure or leisure getaway

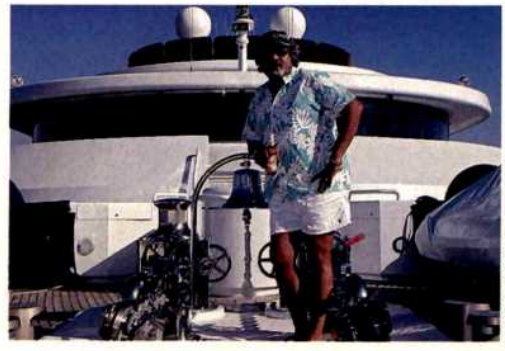
LUXURY AT SEA: Cruise yachts offer creature comforts with elegance, as seen in this cabin of a Princess yacht

around small boats, this show will see shift in focus to larger boats — there will be about 15 yachts of 40 feet and more compared to only one last year," he says.

Chaudhry himself will be showcasing two types of top-line Princess yachts of 42 feet and 61 feet lengths — one with a flybridge priced at about Rs 10.5 crore and a sporting single deck model priced at Rs 3.3 crore. There will also be other top brands such as Ferreti and Azimut from Italy and Fairline from Spain.

Indians are beginning to entertain guests or hold business meetings aboard yachts. Vijay Mallya, the self-appointed 'king of good times' is the proud owner of a couple of super yachts, including the 311-feet mega yacht Indian Empress, which he used recently to promote his Formula 1 team. However, most of the Mumbai yacht owners mainly use them as transport to access their Alibaug or Mandwa beachfront houses.

Buying a yacht is a big decision, as it costs a lot and takes a lot of maintenance. While it is natural to get mesmerised by glitzy boats, it is important to stay focused on one's investment appetite in the intended use of the boat.



HEMANT MISHRA

INDIAN EMPRESS: Mallya showcased his F1 team on this 311-feet mega yacht

Buying a new yacht means waiting for many months to hit the water in it, as they are custom-built. So, the impatient buy used boats they fancy and customise them. Mallya bought Indian Empress from an Arab royal in 2006.

The sporting kind opt for the sailing yachts while those looking for leisure cruises go for the motorised yachts. Sailing yachts offer little deck space to party or even stay dry.

The size of the boat one buys is mostly a function of ego. Still, it also depends on the use of the boat. If one likes to cruise deep into the sea with a big party of friends or business associates, the larger the boat, the better-stocked and more comfortable the trip. Docking space is another significant factor. Ensure you have the right slip before you get that big boat to the waterfront near you.

Another important factor to bear in mind while investing in a yacht is its potential for charters. A 150-feet mega yacht can cost close to $1 million a year to run, maintain and insure. So, some yacht owners charter their boats when they do not need them. Mallya too charters his mega yacht, which costs about $700,000 a week to run and maintain.

On the technical side, the construction material is an important thing. Glass reinforced plastic is a preferred material for making the hulls these days as it is light and safe. Steel for rails and wood for decks are preferred. Deep V hulls help a yacht's thrust and stability.

But owning boats is only one part of the equation. "Indians still do not love the sea," says Chaudhry, "but," he adds, "by mimicking western lifestyles, they are beginning to discover its pleasures."

Feroz Ahmed

9XM presents 91.9fm friends

Music festival

Nazrul Manch, Feb 29 - March 2

in association with

BSNL Connecting India

mani SQUARE KOLKATA'S SUPERMALL

come together for the love of music

Feb 29 *Tkt Rs 40*	5pm onwards	Rabindrasangeet Nazrulgeeti Folk	Rabitirtha *direction* Suchitra Mitra, Agnibha Bandyopadhyay, Lopamudra Mitra Susmita Goswami Kartik Das Baul, Dohar *music arrangement* Durbadal Chattopadhyay
March 1 *Tkt Rs 100*	5pm onwards	Bangla Adhunik	Nachiketa, Lopamudra Mitra, Srikanto Acharya, Raghab Chattopadhyay, Subhamita, Manomay, Rupankar
	11pm onwards (all night long)	Hindustani Classical	Kaushiki Desikan with Samar Saha (tabla) & Rupasree Bhattacharya (harmonium), Tejendra Narayan Majumdar with Pt. Anindo Chatterjee (tabla), Ustad Rashid Khan with Shubhankar Banerjee (tabla) & Jyoti Guha (harmonium)
March 2 *Tkt Rs 100*	5pm onwards	Bangla Band/Fusion	Fossils, Chandrabindoo, Eldorado, Phoenix & Bickram Ghosh's Rhythmscape with Pt. S Sekhar, Sanjoy Das, Pulak Sarkar, Chiro, V Suresh and Supratik

co-sponsors

RP Techvision (I) Pvt. Ltd.

एम एस टी सी लिमिटेड MSTC LIMITED

ZODIAC EXPRESS PRIVATE LIMITED

sare sama Soul of India

media sponsors

আনন্দবাজার পত্রিকা The Telegraph Initiative

event

MAGIC EYE

Tickets available at Haralalka *Shyambazar*, Island *Phoolbagan*, Melody *Rashbehari crossing*, Symphony *Dharamtala Metro*, Grub Club *Golpark*, Mukhorochak *Garia No5 Bus Stand*, Hindustan Sweets *Jadavpur 8B Bus Stand* and *New Alipore*, Music World *Park Street & Ultadanga*, Modern Music Centre *Sealdah*, Friends 91.9 FM *44 Park Street*

RATES DAVID ENTERPRISE 2609

Entertainment

A TASTE OF INDIA

AP

INDIA IS PULLING international artists in droves. But not for spiritual solace or exotic vacations any more. Rather, for the fans and the rupees.

Over the past few months, several stars have performed in India, including rapper 50 Cents, Latino diva Shakira, jazz maestro Jose Feliciano, and heavy metal band Iron Maiden.

Until a year ago, it was hard to get global stars interested in touring India. "Enquiries by Indian event planners were never taken seriously by artists and their managers," says Adhiraj Mustafi, managing director of Prospect Advisory and Management.

So emphatic is the demand from the upper crust of Indian society that the usually cautious investors in live entertainment are now willing to risk big money on international concerts.

Iron Maiden is the latest band to perform in India. In fact, they kicked off their 2008 world tour with a gig in Mumbai on 1 February. This was their second show in India within a year. The band's lead singer Bruce Dickinson explained this frequency saying, "We know the average Joe on the street can't afford to pick up a CD. We connect with our fans only through our live performances."

Well, India appears to be the new destination full of Joes!

Manashwi

BLOOMBERG

MUSIC

Log on for sound

TIRED OF SCOURING the music stores for your kind of alternative or exotic music and annoyed with your local yappy-happy FM? Try internet radio. Jazz, swing, movie scores, or music from Africa or Iran — you get it all on the Web, and most of it free. The internet is loaded with thousands of radio channels providing specific genres of music.

Internet radio is also the medium for people with special interests. There is *Soldiers Radio News* to keep an ear on American military affairs. Those with alternative sexuality can listen to Italy's *DeeGay* channel. American channel *Trading Nation* offers news and discussion on small businesses and financial matters.

Unfortunately, India has not got onto the internet radio bandwagon yet. Still, there are a few Indian channels streamed from the US and Europe. Check out *Bombay Beats* and *Bollywood & Beyond*.

While you may listen to internet radio through your computer, you could even hook it up with your home theatre using Wi-Fi.

RADIOHEAD: You can hook up internet radio with your home theatre using Wi-Fi

The simplest way to access internet radio is software such as iTunes and Windows Media Player. Or, tune in using one of the radio portals such as AccuRadio or Live365.

So, sit back and log on to enjoy that rare music that your local radio station will probably never play.

Feroz Ahmed

Dash for splash: Australian beaches are among the best in the world to ride big waves, or even to learn surfing

AP

NATURE

Tail of the tiger

IT IS HARD TO EVEN imagine the Indian tiger becoming extinct. Though they still add up to about 40 per cent of all the tigers left in the world, their dwindling number is a big worry. Despite conservation efforts, the tiger population has plummeted to 1,411 now from 3,642 in 2002. In the early 1900s, India had about 40,000 tigers. Rig up your safari gear and collect memories of the majestic cat before too few are left to be easily spotted.

One of the best places to catch sight of a tiger is Bandhavgarh in Madhya Pradesh.

The 437-sq. km. Bandhavgarh jungle is a shallow forested valley amidst 30-odd Vindhya hills.

Besides tigers, there is also the 14th-century Bandhavgarh fort and the caves in the nearby hills to see. March to May is the best period to see the tiger at Bandhavgarh when heat thins down the grass cover for the moving tigers.

Getting to Bandhavgarh can be trying — the nearest airport at Khajuraho is 230 km away and it is an overnight train journey from most metros of India. But the hardship of travelling to the tiger's den makes the adventure even more exciting.

FA

ONE FOR MEMORY: Tigers are becoming scarcer by the day

BON VIVANT

Beer for the sober

AS WINTER RETREATS AND THE SUN WARMS UP THE afternoons, it is time to re-acquaint yourself with beer. And you don't have to account for inebriation for the refreshing taste of your bitter brew.

Say hello to non-alcoholic beers — with less than 0.5 per cent alcohol against the standard 5 per cent — that are increasingly being imported into India. Germany's Beck's and Clausthaler are among the first movers. Then there are alternatives such as Cobra 0.0 per cent from the UK-based NRI brewer Karan Billimoria, Kaliber from Irish Guinness, O'Doul's Amber from the makers of Budweiser beer in the US, and Buckler from the makers of Heineken beer in Holland.

Though it is nigh impossible to make completely alcohol-free beer because fermentation necessarily creates alcohol, the 'near beer' is an alternative to the colas. Albeit, a 330-ml cola can cost you a lot less than the Rs 54 you pay for a can of Clausthaler of the same size. Moreover, you can drink the 'near beer' and drive.

Some people are turning to the 'alcohol free' beer to kick the alcohol habit without giving up on the taste of the brew. Some are even using it in place of isotonic drinks.

The near-beer has come a long way since its origin in the Prohibition era in the US in the 1920s, when Anheuser-Busch sold 'Bevo' with 1 per cent alcohol. It is doing better as a preference now than as a forced option then.

FA

ELECTRONICS

Digital heaven

The 2008 CES at Las Vegas had some eye-popping gadgets

TOOL MAKING CONTINUES TO BE THE MOST VALID proof of superior human intelligence in the animal world. Nothing equals the annual Consumer Electronics Show (CES) at Las Vegas to mark human progress in that respect. This January too the show witnessed the unveiling of a load of new tools that make people work better and live better.

Carrying BlackBerrys around like an appendage so that others can reach you all the time can get on one's nerves. However, at the 2008 CES, Sling Media put some fun into this work tool. Using Slingplayer Media software one can watch TV on a BlackBerry handset. Albeit, its commercial launch is a few months away.

Also, now there is going to be a PinkBerry, or rather BlackBerry Pink, aimed at women.

The 'girlification' of gadgets is now extended to laptop computers. Fashion house Ego displayed a laptop packaged as a luxury handbag while Sony offered a pink Vaio.

For the music minded, Sony showed its 'first truly global Walkman phone' with tri-band and high-speed downloading capability. Sony claims that this handset can automatically select the type of music and songs to suit your mood. Another quaint feature of the phone is that you can shake it to scroll through your playlist or to adjust volume.

For global travellers, Intel presented a concept gadget — a mobile translation device. Just point its camera to a road sign or notice board in a foreign language and the device will give you the translation in many languages. This Babel-fish device also translates speech. Unfortunately, one will have to wait a few years to get one's hands on this magical gizmo.

Another travel oriented novelty at the CES was Polaroid's pocket printer. It can print 2x3 inch photos from your camera by connecting to it through Bluetooth.

Still, perhaps the best travelling gadget unveiled at 2008 CES was a solar-powered laptop bag from Voltaic Systems.

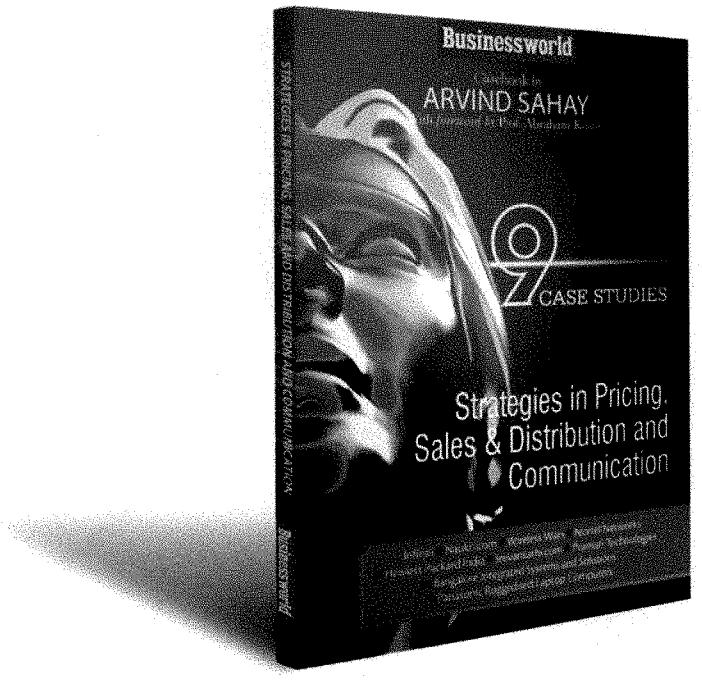
The bag is studded with solar cells that keep charging the laptop inside. So, you don't have to pack notepads and pencils along with your laptop on your long trips. The bag also comes with adapters to charge your mobile phone.

Paradoxically, as life gets more complex because of new gadgets, yet more gadgets come along, ostensibly to make it easier.

Feroz Ahmed

'GLOBAL WALKMAN': Sony W760 allows downloads anywhere and plays music according to your mood

Thr Marketing ›"bjects.
Nine case studies.
One powerful book.

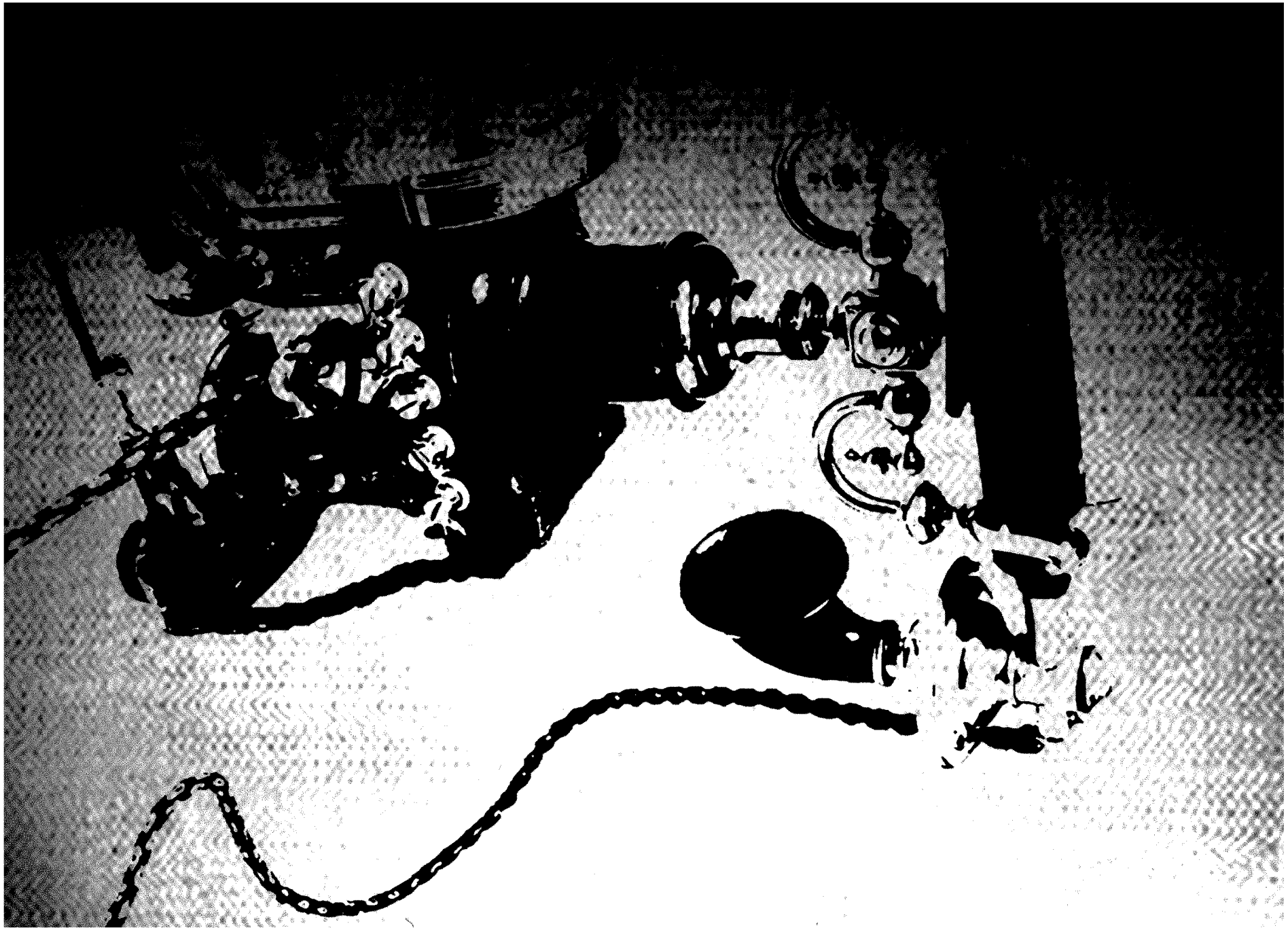


By Prof. Arvind Sahay

- 9 insightful case studies from the IT Industry on strategies in pricing, sales & distribution and communication
- Authored by Prof. Arvind Sahay, IIM Ahmedabad
- Foreword by Prof. Abraham Koshy, IIM Ahmedabad

Price: Rs. 250/-

Businessworld
YOUR UNFAIR ADVANTAGE



Elisha Gray.

A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

Alexander Graham Bell.

You know who.

ısinessworld invites entries for the Design Brilliance Awards 2008.
nd in your entries now, or wait till it's too late.

ne people are always in the right place at the right time. The rest, well, they're called 'the ' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance ards right away.

participate, visit www.businessworld.in and fill up a form on the microsite. Last date for epting entries is March 12, 2008.

tegories for Design Brilliance Awards 2008

rban town planning • Fashion and lifestyle • Social design including products and services tage/film set design, production and cinegraphy • Digital design • Graphic design • Product ign • Furniture design • Transportation and automobile design • Packaging design • Animation ew media installation • Green and sustainable design

future group
India tomorrow
presents

DESIGN | BRILLIANCE AWARDS 2008

Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

Man With A Mission

by ashok v. desai

DISINVESTMENT IN INDIA I LOSE AND YOU GAIN BY PRADIP BAIJAL PEARSON LONGMAN, PAGES: 354; PRICE: RS.600

PRADIP BAIJAL IS BEST KNOWN AS EX-CHAIRMAN OF Telecom Regulatory Authority of India. He tried to make TRAI professional, competent and objective. But Dayanidhi Maran, the telecommunications minister from Dravida Munnetra Kazhagam, had to serve his party and its leader. The interests of Tamil Nadu collided with national interest. He did not get his nefarious way while Baijal was chairman; they checkmated each other. After Baijal's term ended, Maran installed a more pliant man as TRAI chairman.

But it did not save him. His material services were considered inadequate, and M. Karunanidhi, his uncle and party leader, removed him unceremoniously. That saga has not yet been told as it should. But that is not what Baijal takes up in this book; it must wait till the next one.

Chairmanship of TRAI was Baijal's sinecure; as is the wont of our peculiar government, it was given to him as a reward for having completed his long tenure as member of the Indian Administrative Service without a serious mishap. That was quite remarkable, since his last job as an IAS officer was a difficult one: he was secretary of the ministry of disinvestment, which was specially set up in 1999 by Prime Minister Atal Bihari Vajpayee. Arun Jaitley was the minister. Next year he was moved to the ministry of law, and Arun Shourie was made minister of disinvestment. Shourie and Baijal made a great pair — committed but competent. This is the story of what they achieved — and did not.

PRADIP BAIJAL, a former IAS officer, retired as Chairman of the Telecom Regulatory Authority of India (Trai) after a career spanning 40 years. Before his assignment with the Trai, Baijal served as Secretary in the Ministry of Disinvestment from 1993 to 2003. As the first Secretary to India's disinvestment ministry, Baijal is credited with laying down the entire gamut of rules and regulations for privatisation.

Ministers and secretaries of the 'parent' departments treated public enterprises under their tutelage as colonies. Whether it was a supply contract for a relative or a job for a friend's sidekick, public enterprises could be put to all kinds of self-serving uses. And hence the ministers and secretaries were extremely hostile to privatization. This is why privatization never had takers in the government. It was a foreign, treasonous idea brought up by World Bank in 1991 when India was so bankrupt that it had no option but to listen to it. But it did not quite buckle in.

The government agreed to 'disinvest' minority shares in its public enterprises, but to keep the management under its own thumb. The stock market was then booming, and enough private idiots could be found to invest in the enterprises — not because disinvestment would improve the enterprises' management, but because many of them had strong monopoly positions in an economy which was still quite closed.

However, the government soon got out of the payments crisis; and once it did, it forgot all about disinvestment. Nothing happened until Vajpayee decided to revive it. Nothing had changed meanwhile; Baijal found the parent departments as hostile to disinvestment as they were under Congress rule.

Baijal has written this book to convince skeptics; so it starts in a rather low-key, leisurely manner. He begins by describing how he became a convert to privatization (he was taken on a junket to Oxford and attended a course on privatization). Then he lists the arguments for privatization, and reviews it across a number of other countries. This may be interesting to a university student, but my interest was aroused after the first quarter of the book had passed.

In the next two chapters Baijal summarizes disinvestment first in the centre and next in the states. Then he takes up a number of cases – Bharat Aluminium, IPCL, Computer Maintenance Corporation, VSNL, Paradeep Phosphates, Jessop, and ITDC hotels. In each case he first describes the state of the enterprise before privatization, and how it performed after. This

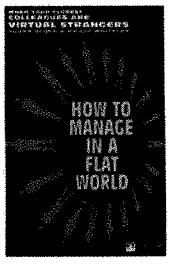
BROWSING
Naresh Wadhwa
President and Country Manager Cisco

The book I am currently reading is Bound Together: How Traders, Preachers, Adventurers and Warriors Shaped Globalization by NAYAN CHANDA. Although I read many genres, I tend to be drawn to books on management and technology. The other books on my reading list are India after Gandhi by Ramachandra Guha, Games Indians Play by V. Raghunathan and The World Without Us by Alan Weisman.

entails a wealth of tables; they would look pretty dated to someone who is not interested in the history, but form valuable empirical material to anyone interested in the details. For instance, the question why A.L. Batra was allowed to resell Juhu Centaur Hotel in Bombay to Ajit Kerkar, or why Kerkar was not charged interest when he delayed payment, may sound like trivia to an unfamiliar reader, but these issues evoked strong passions and were on the front pages of newspapers in their time.

Baijal ends up by asking why privatization has not gone as far or is not so thoroughly accepted in this country as in many others. He gives various possible explanations, but not the one I think applies — the corrupt nexus between ministers, bureaucrats and heads of public enterprises. It is what Baijal started with; it applied even when he ended the book, and still applies.

SELECTION 1



Because People Matter

HOW TO MANAGE IN A FLAT WORLD GET CONNECTED TO YOUR TEAM — WHEREVER THEY ARE BY SUSAN BLOCH AND PHILIP WHITELEY PEARSON/FINANCIAL TIMES MANAGEMENT, PAGES: 156; PRICE: 199

IN A GLOBALISED WORLD, WHERE MERGERS AND acquisitions are the order of the day and communication gets restricted to a teleconference or a video conference, a manager needs to prioritise people as well as meet deadlines.

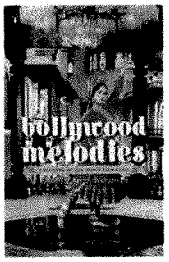
Susan Bloch, a business 'coach', and Philip Whiteley, a business journalist, on the basis of experiences shared by senior executives of several multinational corporations, have emphasised the importance of interpersonal communication in a 'flat' world.

A manager should always try and meet the person who he knows he will be in constant touch with during the course of the business, say Bloch and Whiteley. Yes, travel allowances may be finite, but interpersonal communication is vital for any business to thrive, especially when different cultures are mingling, the authors explain. Leslie Van de Walle, a former Shell employee is a case in point. He says, as the retail head, he used to spend 60 per cent of his time travelling to meet his colleagues and employees. "Latino people are much more emotional.... Anglo Saxons are much more reserved, Austrians are much more organised... Asian people are often quiet, often in listening mode, and self-restrained," writes Van de Valle in the Shell case study.

Different managers have different ways to tackle the repeated absence of face-to-face communication during inter-country team building exercises. Sprinkled with key takeaways in all eight chapters, this flat world management book should be on the top of the list of every manager bound to interact with his counterpart on the other side of the globe.

—Sanjitha Rao Chaini

SELECTION 2



The Music Makers

THE SOUNDSCAPE OF POST-independence India has been shaped largely by the Hindi film song. It permeates our radio stations, television channels, nightclubs and now, even the wedding celebrations. In fact the Indian film industry maintains that the success of a film is directly related to the success of the film's soundtrack.

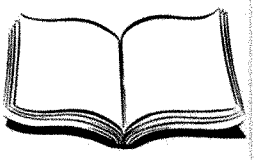
Yet, the column inches dedicated to the makers of this music — composers, lyricists and playback singers — is pathetically inadequate when compared to the reams written about stars and their directors. A much deserved recognition comes in Ganesh Anantharaman's BOLLYWOOD MELODIES — A HISTORY OF THE HINDI FILM SONG (Penguin).

Divided into three sections — The Melody Makers, The Songwriters and The Playback Singers — Anantharaman traces the journey of the Hindi film song from 1935 to 2005. He candidly admits his bias towards the music of the 1950s and 1960s, which he says "were the most creative years of Hindi film music." He also maintains that "the next three decades were not remarkable for their innovativeness or for attempts to enlarge the scope of this genre." Despite this apparent prejudice, Anantharaman does more than a fine job of bringing alive the works of Bappi Lahiri, A.R. Rahman, Javed Akhtar, Sonu Nigam and Kavitha Krishnamurthy as much as of greats like Naushad, K.L Saigal and O.P. Nayyar. But his affection for the latter is there for all to see.

There are more treats at the end of the book — interviews with Manna Dey and Lata Mangeshkar on their musical journeys.

—Sumati Nagrath

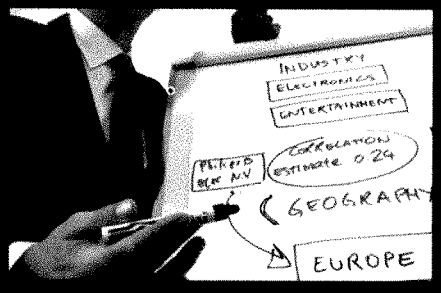
ALERT



DATELINE 1857: REVOLT AGAINST THE RAJ

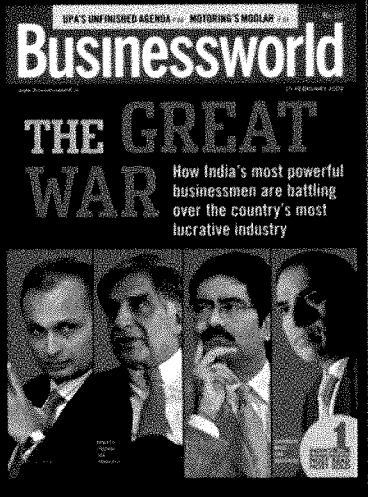
RUDRANGSHU MUKHERJEE AND PRAMOD KAPOOR LUSTRE PRESS/ROLI BOOKS

The sepoy mutiny or the first war of Indian independence? Hundred and fifty years on the events of 1857 have become the ground on which a severe semantic battle is being raged. In such a situation Rudrangshu Mukherjee and Pramod Kapoor have played it safe by simply calling it the 'Revolt against the Raj'. The result of painstakingly collected archival photographs and other materials, this book tells the story in a manner that balances the potted and rhetorical version of history being peddled by popular cinema and media alike.



SO MUCH LIKE A QUESTION PAPER LEAK. ONLY LEGIT.

By spotting trends and providing insights in an easy-to-read form, Businessworld prepares you for business risks and corporate challenges well in advance. Read Businessworld. Claim your unfair advantage.



YOUR UNFAIR ADVANTAGE

BATES DAVID ENTERPRISE 1483

Budget For Bad Times

THE BUDGET IS TOO CLOSE NOW TO EXPECT MUCH change in its contours, which must have been fixed some weeks ago. Yet, the finance minister is master of the budget, and must be mindful of his power as well as his responsibility. He need not follow Narayan Dutt Tiwari's example and make a last-minute change in his own hand. But he must take cognizance of the radical changes in the economic landscape in the past five weeks.

TRIBHUWAN SHARMA

This is the time to give tax reliefs, not to raise spending. The taxes that should go first are Chidambaram's bizarre innovations — FBT and STT

The most dramatic change is the meltdown of share prices. Mr Chidambaram's predecessor, now Prime Minister, once said that he did not lose his sleep over Sensex; but it would be advisable for the finance minister to give some wakeful attention to the stock market, for two reasons. First, it has shared in a global downturn, and second, India is not an island. The downturn was triggered off by the sub-prime crisis ten months ago; that crisis has led to shrinkage of liquidity and a rising need for provisioning in the American financial system to which no end is yet in sight. Financial writers are writing column after column trying to talk up the market. But no amount of reassurance can obscure the fact of extreme uncertainty in the prospects of the U S economy.

While American columnists are busy making brave noises about their economy, their Indian cousins have been trying, with singular lack of success, to talk up the Indian market. Their favourite theme is that the Indian economy is decoupled from the U S. If the falsity of this claim needs to be proved, one only has to consider the fact that for the first time since independence, India has more dollars than it knows what to do with. Patriotic Indians would like to believe that this has something to do with Indian virtue – that it is the stellar performance of the Indian economy that is pulling capital in for all over the world. But it happens that many countries have a glut of dollars today, including some that have no virtue to boast of. The reason they all are awash with dollars is that the world is flooded with them; and the reason for that is the huge and chronic American payments deficit, which has been financed by exporting dollars. And if that does not convince the patriots, they should reflect over the uncanny coincidence of the crash in Dow Jones and in Sensex. There is much foreign capital invested in India; if its owners run out of cash, they will sell their holdings. Those foreign investments in India are not immune from such global decisions.

There is some danger that Mr Chidambaram might not fully realize the significance of this interdependence because he tends to see the Indian economy through somewhat rosy spectacles. He has in the past three years been making many upbeat statements about the bright future of the Indian economy. They were mostly made in fora that called for such cheerful noises. But they do engender some fear that he believes in some qualities that make India's future special in some way. There was one quality – India's insulated economy – which has got progressively diluted since the opening up of the 1990s. Today, India may not be as open as Luxemburg or Singapore, but it is open enough to be seriously harmed by a global crisis. And there is nothing Mr Chidambaram can do to make it less open, although the Reserve Bank would love to have a try at it.

This means that corporate India is passing through difficult times, and that the times will get worse. This is the time for the finance minister to come to the succour of Indian industry and services. He will have been told by his colleagues in government how important he is to their survival in this election year; they must have given him many a plan to spend on schemes with big Sanskrit names for the little man. The time for those schemes is not now. The Indian taxpayer needs a helping hand from Mr Chidambaram in his hour of woe; this is the time to reduce the tax burden, not the time to increase expenditure.

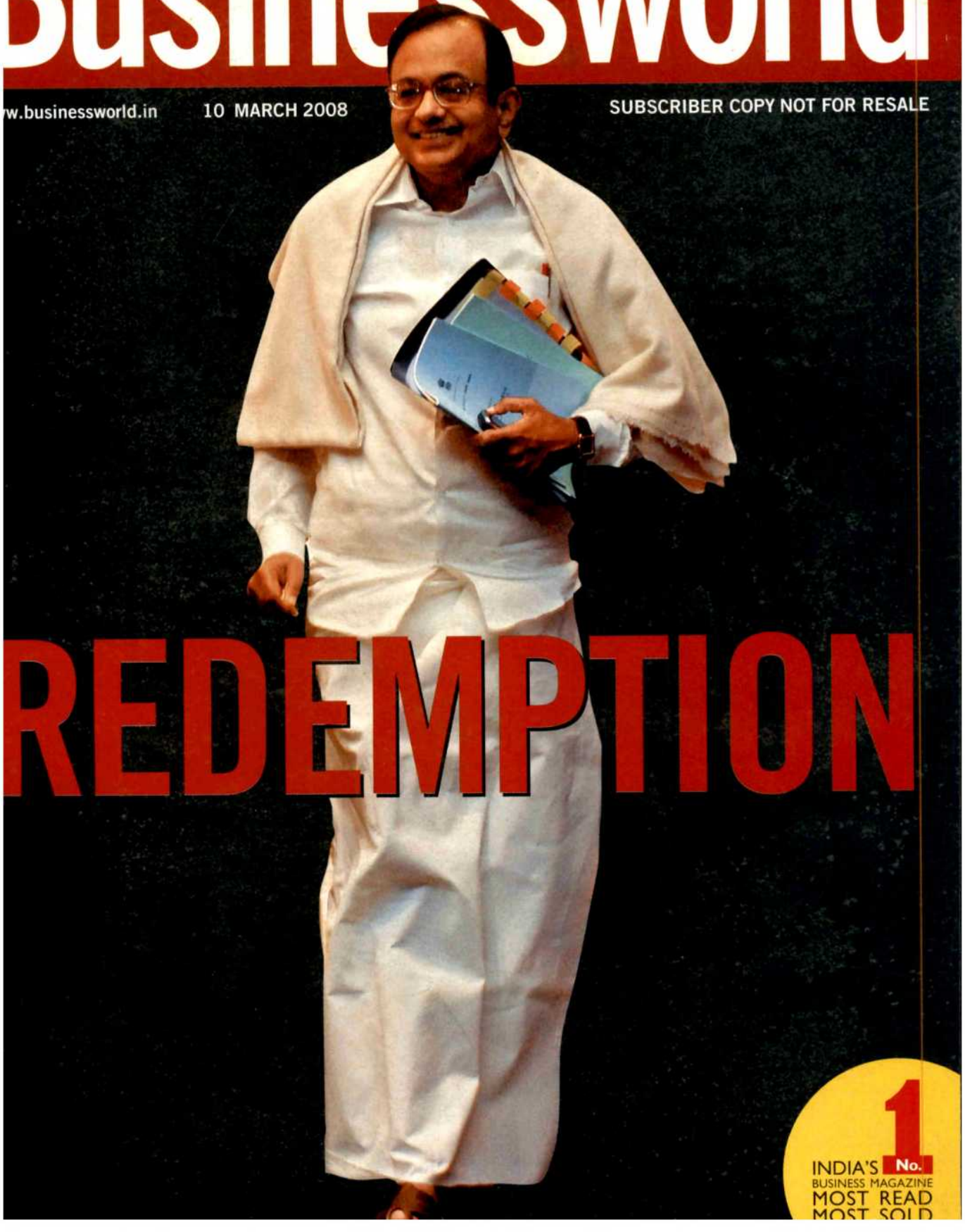
Just what taxes he should reduce can be left to his judgment. C. Rangarajan is reported to have been pressing for relief for the embattled consumer durables sector. However, this is only one possibility. The housing sector is heading for major trouble; if house-owners start reneging on their loans, banks and finance companies will soon run out of cash. Relief on mortgages would be timely at this stage. But the greatest service Mr Chidambaram can do at this stage is to abolish the new taxes he has conjured up in the past three years. The fringe benefits tax is a pain in the neck which is not worth the pain; the securities transactions tax is another brainless idea. They should go.

SPECIAL ISSUE

Businessworld

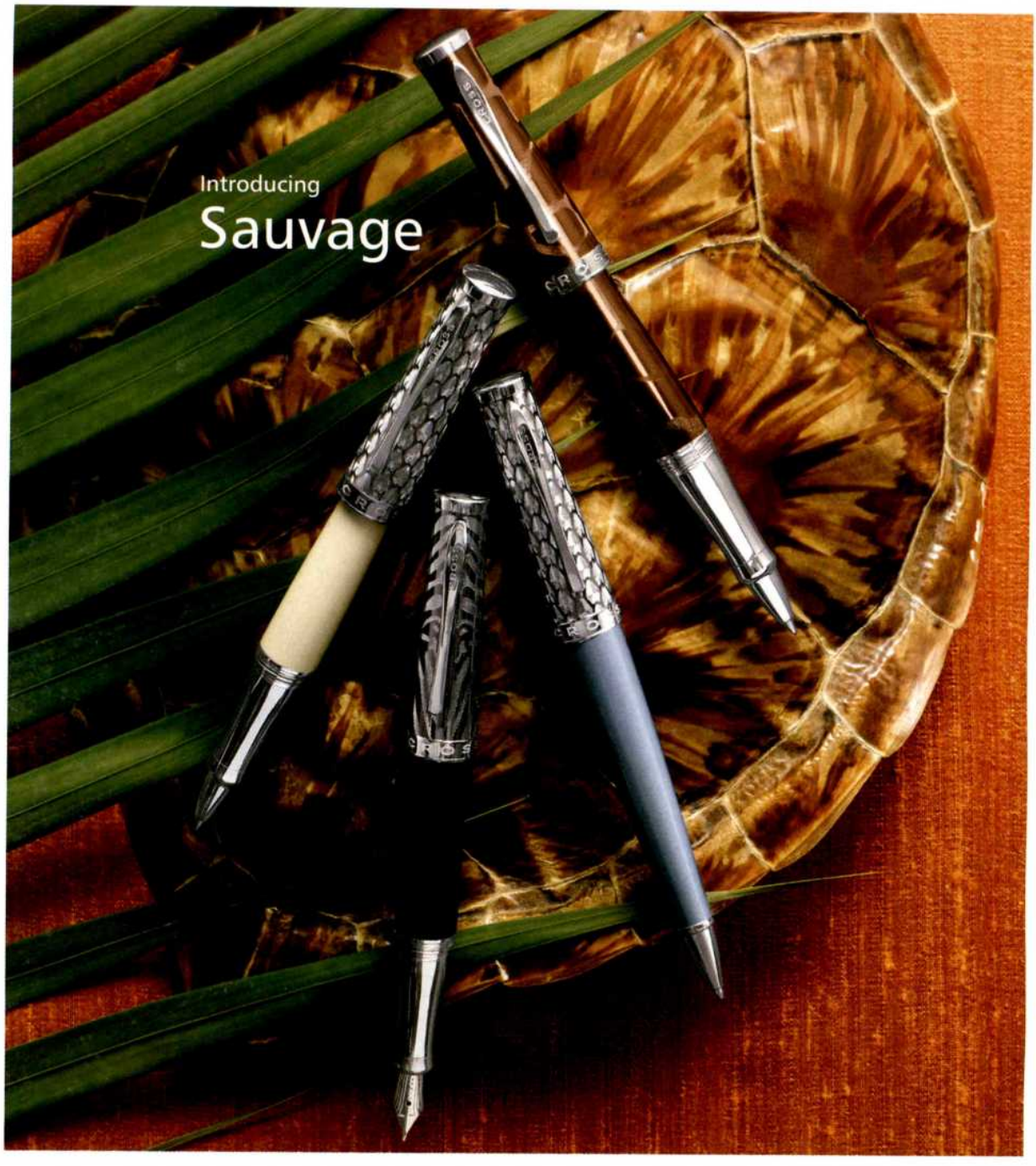
www.businessworld.in 10 MARCH 2008

SUBSCRIBER COPY NOT FOR RESALE



REDEMPTION

INDIA'S No. 1 BUSINESS MAGAZINE
MOST READ
MOST SOLD



CROSS®

writing instruments timepieces eye wear leather goods

JASHANMAL GROUP | HARMONY DISTRIBUTORS PRIVATE LIMITED

HARMONY DISTRIBUTORS PVT LTD: Authorized & Exclusive Distributors - Cross India :
502 & 504, Presidential Plaza, L.B.S. Marg, Ghatkopar (West), Mumbai - 400 086
Tel.: +91 22 4061 8080 Fax : +91 22 4061 8081 E-mail: cross@harmonydist.com

Available at: Shoppers Stop — Shopping. And beyond. | lifestyle | CROSSWORD | arcelia | just IN VOGUE

Deadline

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

era landmarks

Live the difference

ERA LANDMARKS (INDIA) LIMITED

Silver Oak PALWAL | IT SQUARE GREATER NOIDA | era arcade SIRSA

- From taking you away from the hustle and bustle of town life to bringing you to the peaceful environs of another world.
- From developing the first-of-its-kind IT park tailored to meet the complex needs of today's businesses to offering corporate leaders the perfect ambience to unwind, recharge and even reside in close proximity.
- From building modern hi-end commercial properties that retains the harmony between functionality, comfort and luxury to creating an ambience that inspires and fosters the perfect work environment.

Era Landmarks offers you one-stop realty destinations that are truly international.

Residential / Commercial / IT & ITES / Retail

era infra	era buildsys	era landmarks	era ezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.	ERA BUILDING SYSTEMS LTD.	ERA LANDMARKS (INDIA) LTD.	ERA E-ZONE (INDIA) LTD.	ERA POWER (INDIA) PVT. LTD.

(#Combined presence of all group companies as on 30th November, 2007)

Corporate office: 153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

Towards Agri-reforms

by jehangir s. pocha, editor

THEORETICALLY, THE BUDGET shouldn't be significant. The annual tweaking of public revenue and expenditure isn't a major event in any other country. In India, perhaps because we have no equivalent to the US's State of the Union address, the Budget acts as the government's annual strategic statement. This places an unfair burden on finance ministers, even if many enjoy the extra status this bestows.

P. Chidambaram has done a good job of carrying his extra burden by addressing a critical issue — agriculture. While Sharad Pawar, the minister charged with the subject, seems more interested in cricket than crops, the Finance Ministry has stemmed the rot in India's farmlands. By writing off Rs 60,000 crore in small farmer debts Chidambaram has been humanitarian, electorally astute, and economically pragmatic. A hundred thousand farmers have committed suicide in India over the last year. Millions more need help, and many of their loans are already bad. So, Chidambaram's election-friendly write-off is not as large as it seems.

More importantly, despite the problems of moral hazard and misuse the write-off creates, the FM has focused attention on India's neglected agricultural problems.

The combination of rising global food prices, growing local demand and falling rural incomes could really rock India's growth boat. With our traditional food bowl, Punjab, moving towards cash crops and the soil there tired, the agriculture ministry and state governments should be boosting yields in other regions, such as Uttar Pradesh and Bihar. This isn't happening for obvious reasons of governance. Robust growth has swelled our coffers enough to import food. But the strategic risk of doing this aside, India doesn't have the ports to manage large-scale food imports.

The problem is not critical but it could become so. Let's commend the FM for provoking an agri solution, as well as giving industry and citizens well-calibrated relief at this economically capricious time.

Businessworld

Volume 27 Issue. ~~43~~ 42
For the week 4-10 March 2008,
Released on 3 March 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81

HP recommends Windows Vista® Home Premium.

SOMETIMES, IT DOESN'T HURT TO SHOW SOME SKIN.

Presenting the HP Pavilion Limited Edition Notebook with the stylish Verve Imprint finish.

The new limited edition HP Pavilion dv2701TX Notebook PC comes with a stylish verve imprint finish. Pick fast because this is a limited edition. Rush to your nearest dealer and redefine the way you entertain yourself.

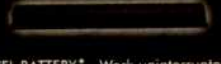
IMPRINT FINISH

WEBCAM

FINGERPRINT READER

REMOTE

ALTEC LANSING SPEAKERS


TRAVEL BATTERY* - Work uninterrupted for longer hours when you are on the move

Call **1800 112 267** or **3030 6363**, visit **hp.com/in/personal** or visit retailer.

Don't put your data at risk! **Pirated** Windows Vista exposes your PC to increased virus attacks and deprives access to key features, reducing the functionality of your PC. Why take a chance, when **original** Windows is just a small part of the cost of your PC?

So, buy your *Right* PC with original Windows Vista only.

For more, visit www.My*Right*PC.com

Conditions apply. *Optional. Not part of standard equipment. It is an accessory. Manufacturer's warranties and delivery conditions apply. © 2008 Hewlett-Packard Development Company, L.P. All rights reserved. Certain Windows Vista product features require advanced or additional hardware. See www.microsoft.com/windowsvista/getready/hardwarereqs.mspx and www.microsoft.com/windowsvista/getready/capable.mspx for details. Windows Vista Upgrade Advisor can help you determine which features of Windows Vista will run on your computer. To download the tool, visit www.windowsvista.com/upgradeadvisor. Windows Vista is either a registered trademark or trademark of Microsoft Corporation in the United States and/or other countries. Microsoft and Windows are trademarks or registered trademarks of Microsoft Corporation in the United States and/or other countries. Product visuals shown may vary from the actual product. All other trademarks are used for identification purposes only and belong to their respective owners.

PUBLICIS HP-PSG 064 08

Feedback your comments

Getting A Grip On Mutual Funds

Your survey on 'India's Best Mutual Funds' (BW, 3 March 2008) was very insightful, particularly for an average middle-class person not well-versed with the functioning of the MF market. The range of issues that you covered was well thought out and appropriate for the people of a country where the mutual fund market hasn't fully evolved yet and where there are still several apprehensions in the minds of the people about investing in such funds; case in point being the ambiguous nature of all sorts of management costs and entry and exit loads that eat into your returns. Also, the story on why not to invest in new fund offers was quite intriguing. Another very interesting part of your coverage was the 'Worst Mutual Funds' list. Not many surveys throw up such figures.

Rohit Talwar, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

Deft Balancing Required

Your pre-Budget assessment of the Budget 2008 "Can he do it?" (*BW*, 3 March 2008) was interesting and inquisitive in nature. Rightfully so, Mr Chidambaram would be under huge pressure, both from his party and his allies, to present a populist Budget in view of the parliamentary elections coming up next year.

After a long time now, the economy is again looking vibrant with growth rate touching an all time high.

Time for Honourable Finance Minister to display his skills acquired at Harvard University and do a deft balancing of the situation that would please his party while maintaining the growth momentum and ensure fiscal discipline, else the country would slide back only to lose the momentum and miss the bus eventually.

Srinivasan Umashankar, via e-mail

A New Turn

I write to you in appreciation for having focused on one key aspect around the sport of motor racing ('Turning The Corner', *BW*, 25 February). The fact is that while there seems to be a more integrated approach and, hence, focus on how to find and fund (train/coach) talent, it is imperative that we also move towards marketing and packaging the sport to fuel its growth.

Mackinlay Barreto , via e-mail

Customer Is God

One thing is really true that after the advent of private players, BSNL is under threat ('The Great War', *BW*, 3 March 2008) and that is why it is introducing new policies to quadruple its subscriber base. But pathetic services are the major roadblocks for any player. All they need is to concentrate on services and provide more value added services to their customer.

Vineet Bhalla, via e-mail

In Favour Of Content

The content of your magazine is being compromised in favour of the 5 centimetres that you leave out as the margin. Effectively, 20 per cent of the space offered to the reader is left blank. All this reflects on the poor imagination and the lack of subject matter. I wrote this only in the interest of Indian journalism.

Saraswathi Gopalakrishnan , via e-mail

The letters have been edited for brevity.

Mutual

Your financial goals, our mutual funds expertise.

Together we can and we shall. At Geojit, we believe in great partnerships that deliver great results. Especially when it comes to investing in mutual funds. Determining your life goals can help us not only to choose the right mutual fund but also to deliver effective expertise. With over 700 funds from 32 different fund houses, 20 years of experience in equity markets, Rs 10,000 crores of assets under management and 3,75,000 satisfied customers, we can create many more wonders together.

Call toll free: 1800 425 5501
Visit: www.geojit.com
Visit: your nearest Geojit branch

Geojit

driven by trust

Mutual Funds | Full trading account + Demat + Online bank a/c | World class technology | Equities Commodities | Futures & Options | Margin funding | Life Insurance | Portfolio Management Services

For trade or investor queries, please mail us at customercare@geojit.com. For any grievances, please mail us at grievances@geojit.com.
Registered Office: Geojit Financial Services Ltd., 5th Floor, Finance Towers, Kaloor, Kochi - 682 017, Kerala.
SEBI Regn. Nos: NSE: INB/INF 230806739 | BSE: INB010806736 | NSDL: IN-DP-NSDL-24-97 | Portfolio Manager: INP00000316

Mutual Fund investments are subject to market risks. Please read the offer document carefully before investing.

Businessworld 10.03.08

TRIBHUWAN SHARMA

COVER PACKAGE

35 Union Budget 2008

The finance minister's fifth Budget has redeemed errors he made in previous ones.

36 Opening Essay
Old and new fiscal styles.

40 The FM's Word
How and why he did it.

42 Sleight Of Hand?
The gap between appearance and reality.

46 Companies
They must wait and watch till Q1 results.

50 Investors
It's a mixed bag for them.

52 *Aam Admi*
The Indian middle class is clearly happy.

56 Column: Ajit Ranade
Mixing populism with pragmatism.

58 Sector Watch
Duties are down, sales will be up.

62 Column: Omkar Goswami
A Budget designed to please all.

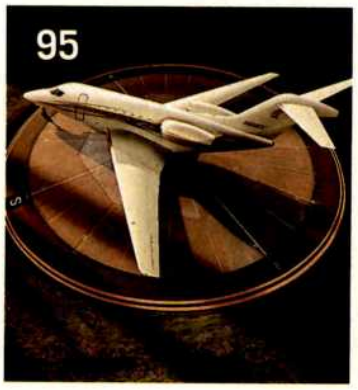
66 Eye On Your Pocket
Making sense of tax proposals.

68 A Let-down
As far as direct taxes are concerned.

70 Well done
When you speak of indirect taxes.

72 The Report Card
How the UPA fared on the fiscal front.

AMIT VERMA



74 **Absurdities In The Budget**
When it just doesn't add up.

76 **Column: Rajeev Chandrasekhar**
Of course, the FM could have done better.

78 **Old And Out Of Step**
The taxes that have outlived their utility.

ON POINT

10 **Lalu Slows Down**
The railways projections are rooted in reality and earthy pragmatism.

11 **Beijing's Grand Irony**
The grand terminal at Beijing airport was made by demolishing villages.

12 **Majority In Minority**
The prospect of being a minority in the Rajya Sabha looms over the UPA.

18 **FIANCHETTO**
Weekly strategic corporate moves.

20 **QUICK TAKE**
Will the Budget get votes?

IN THE NEWS

24 **The Economic Survey**
For the first time, the annual review has both clarity and candour.

27 **Telecom Ties**
Rivals cry foul as the Tata-Virgin marriage is set to shake the market.

30 **Terror In Tech Land**
How IT companies are trying to cope with the new reality.

IN DEPTH

82 **HDFC+CBoP**
Will it signal the beginning of big-ticket consolidation among Indian banks?

84 **Brandstand**
The heir to Murjani group, a maker of big luxury brands, is trying on India.

TECHTALK

88 **Green Fuel**
Save your cooking oil. It may well be used for flying a few years hence.

92 **TV On-The-Go**
Doordarshan is testing the potential for Mobile TV through a pilot project.

IN VOGUE

95 **Jet-Age Entrepreneurs**
Indian entrepreneurs are now buying big birds to fly for business and pleasure.

100 **Design In Denim**
Designer jeans catch on as Calvin Klein and Miss Sixty charm the style-seekers.

102 **Bookmark**
Novel and conventional methods of audit investigation and fraud detection.

COLUMNS

22 **Nayan Chanda**
Nationalism makes for bad economics.

32 **Rajeev Dubey**
Smart U-turns are cost-effective.

80 **Dorman & Chaisson**
How to contain the global TB epidemic.

BW & YOU

06 **FEEDBACK**

106 **BW OPINION**

Cover Design by Jyoti Thapa Mani
Photographs: Tribhuwan Sharma

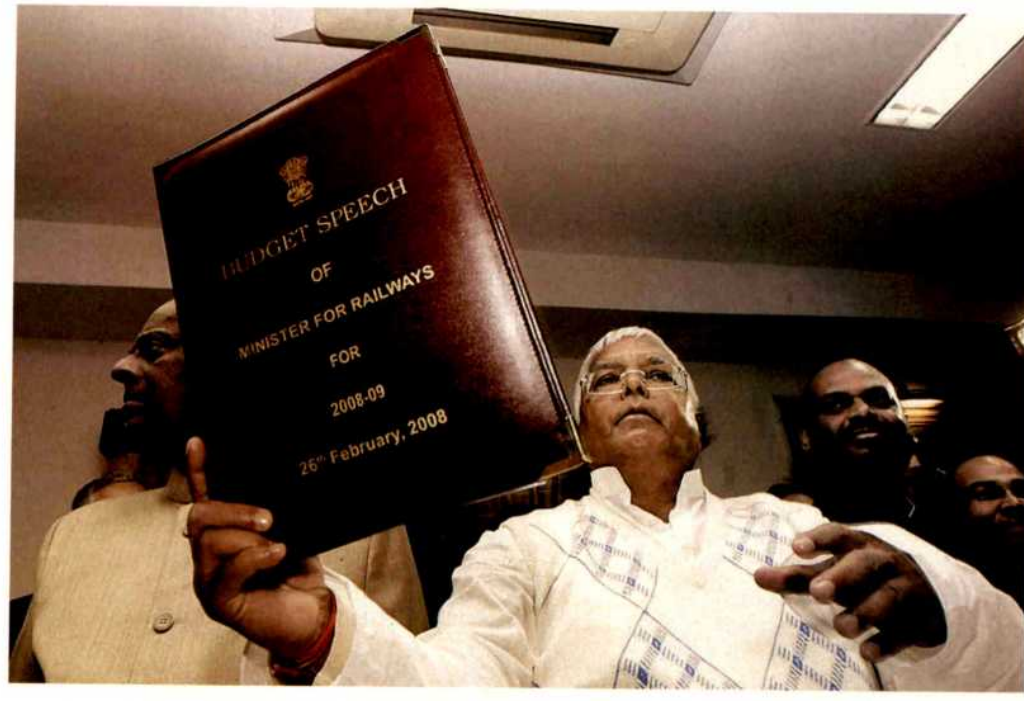
BWonline
businessworld.in
WEB EXCLUSIVES
Bits & Bytes
Surit Doss on softwares for safe surfing, and increasing Net speed on BlackBerry.
TechnoCool
Does the Canon 40D DSLR live up to its legacy? Tushar Kanwar finds out.

Total No. of pages including cover: 108

RAILWAY BUDGET

Lalu On Slow Track

The Railway minister foresees a slowdown, much better than others



EARTHY WISDOM: Railway minister Lalu Prasad Yadav

RAILWAY MINISTER Lalu Prasad sees the yellow and red signals of India's economy better than most others. His projections for 2008-09 are rooted in reality and reflect his sense of earthy pragmatism. His earnings target for the next fiscal does not necessarily match the optimism his learned counterparts in other economic ministries share. Such foresight comes despite estimates of a bumper cash surplus of over Rs 25,000 crore for the current fiscal.

Next year, Indian Railways hopes to carry just 7.6 per cent more freight at 850 million tonne compared with this year. Freight earnings are estimated at Rs 52,700 crore, 10.38 per cent more than the current fiscal's revised estimate of Rs 47,743 crore. Freight earnings account for over two-third (67.03 per cent) of Railways' total earnings in 2007-08.

The prospects of an economic slowdown are also visible in passenger earnings which are expected to grow just 8 per cent next fiscal, compared with 16 per cent estimated in the current year.

Lalu's estimates clearly point to a slowdown, so he has tried to counter this by offering cuts and discount schemes to wean away traffic from road transport. He has announced investment to the tune of Rs 75,000 crore in the next 5-7 years to create capacities on high traffic routes, besides an array of other projects, such as setting up a power plant and a coach factory.

"This is expectation management," says Amrit Pandurangi, head, infrastructure practice, PricewaterhouseCoopers.

But, the railway minister may have also deliberately kept the estimates conservative for the next fiscal, only to beat them later.

P. Vaidyanathan Iyer

10 per cent of Afghanistan is run by the Taliban, according to US National Intelligence

QUOTE OF THE WEEK **"There cannot be two, three or five centres of power. The President is in charge of Russia."**

– Russian presidential candidate Dmitry Medvedev

NEW BEIJING AIRPORT

Charm Offensive

The new terminal has tramped on the livelihood of 10,000 people

THE WORLD IS IN AWE of the new terminal at Beijing's Capital International Airport. The $3.75-billion project, designed by world-renowned architect Lord Norman Foster, is another testament to China's Communist gigantism.

Ranked as the world's largest covered structure, the terminal's 14-million square feet houses 64 restaurants, 84 retail shops, 175 escalators, 173 elevators, 437 moving sidewalks, 300 check-in counters, and a state-of-the-art baggage-handling system that can move 20,000 pieces of luggage on 50 kilometres of conveyor belts.

AP

BENEATH THE FLOOR: The terminal is sitting where nine villages existed four years ago

The two-mile-long, Y-shaped building — which looks like a dragon from the air — required 500,000 tonnes of steel to build. Feng shui principles were also incorporated into the design; the interior is decorated in colours that hold special meaning for the Chinese.

As many as 50,000 workers toiled round the clock to finish the gargantuan project in a record span of three years and nine months.

The terminal's grandeur seems to have seduced the world into overlooking the fact that nine villages housing about 10,000 people were demolished to make way for it.

T.K. Vineeth

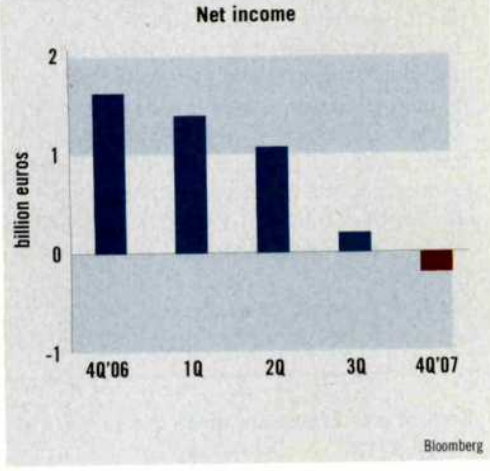
Global NEWS

AP

Campaign tricks: The US election campaign is getting dirtier. In the latest, an 18-month-old picture of Obama in a Muslim garb appeared on Drudge Report, the news website that broke the Monica Lewinsky scandal in 1998. Obama supporters claim the Hillary camp is behind this. John McCain must be smiling.

LOSS FOR RWE

RWE, Germany's second-largest utility, posted its first quarterly loss in at least eight years after unplanned nuclear plant shutdowns.



DARFUR CRISIS

THE BEIJING CONNECTION

DARFUR LIES A FEW THOUSAND kilometres away from Beijing. But Steven Spielberg thinks China can effectively influence Sudan to stop violence in the troubled Sudanese province. The celebrated Hollywood director has withdrawn as an artistic director for the 2008 Beijing Olympics, accusing China of not doing enough to halt the bloodshed in Darfur.

Spielberg was under pressure from Darfur activists, including Hollywood actress Mia Farrow, to use his position to influence the Chinese government to prevail upon Sundan to change course.

"I add my voice to those who ask that China change its policy toward Sudan," Spielberg wrote in an open letter to Chinese President Hu Jintao.

According to UN estimates, the violence has claimed 200,000 lives since 2003. China, which has major investment in Sudanese oil projects, has been accused of contributing to the Darfur issue by supplying arms to Khartoum.

T.K. Vineeth

VIOLIN DIPLOMACY

Music director Lorin Maazel accepts a bouquet from a woman after New York Philharmonic's concert in Pyongyang, North Korea on 26 February. Philharmonic, America's oldest orchestra, became the first US troupe to perform in North Korea, which is at loggerheads with the US over its nuclear programme.

EU ANTI-TRUST LAW

EU Mistrusts Microsoft

BLOOMBERG

The tug-of-war between Microsoft and the European Union is far from over

THE DECADE-OLD tussle between Microsoft and the European Union will not end in the near future, it seems. Last week, EU anti-trust regulators fined Microsoft €899 million ($1.35 billion) for failing to comply with a 2004 order that asked Microsoft to stop overcharging its rivals for the technical information about Windows — required to make non-Microsoft products compatible with Windows.

"This closes a dark chapter in Microsoft's record of non-compliance." European Competition Commissioner Neelie Kroes said in a statement.

However, for the world's largest software maker, which makes a billion dollars a month in free cash flows, the fine may be a small amount. It might just write the cheque and move on.

T.K. Vineeth

GOLD PRICES

BLOOMBERG

Of Glitter And Sheen

DESPITE LOW DEMAND, GOLD PRICES IN India have touched a record high, both in the futures and the spot markets. Prices in India are clearly following leads from the global market. Two factors add sheen to gold as an alternative investment option: the record high global crude oil prices and expectations of further interest rate cuts in the US. April gold futures in the Multi Commodity Exchange, touched an all-time high of Rs 12,291 for 10 gram, while spot prices ruled at Rs 12,400 per 10 gram on 28 February.

Reality Check

Most prescription anti-depressants such as Prozac, Seroxat and Efexor are of no use to patients, according to a new study by the University of Hull, UK.

When you stay at a comfortable place, work doesn't feel like work.

It's not often that you can mix business with pleasure.
That however should not indicate that your business stay cannot be pleasurable.

A series of self-contained spacious villas that have their own service staff, pool, driveway and garden plus a lot more, Palms Hotel is a revolutionary concept in super luxury business hotels. With a hand-picked group of the world's best professionals at your service, you are sure to get an incomparable experience at Palms Hotel. Near enough to the nerve centre of the city and far enough to be the axis of tranquility, Palms Hotel is just 15 minutes away from Mumbai's International Airport and 20 minutes from the city's bustling IT Zone and industrial hub. So the next time you come to Mumbai, do drop in at Palms Hotel. It's a hotel that'll make you forget that you are in one.

For reservations call
022 67893000, 9987593000
www.palmshotelmumbai.com

Palms Hotel
ROYAL PALMS, MUMBAI

ONE OF THE
GREAT HOTELS
OF THE WORLD

• Exotic locale • 106 villas • Close proximity to Mumbai's International Airport • Minimum 1000 square feet room area • Attached swimming pool • Private deck • Butler service • Modern business centre • 24 hour Wi-Fi connectivity

Royal Palms Estate, 169, Aarey Milk Colony, Goregaon (E), Mumbai 400 065. E-mail: info@palmshotelmumbai.com Fax.: 022 28796666

UPA GOVERNMENT

A MINORITY HANDICAP

THE UNITED PROGRESSIVE alliance (UPA) government has already been finding it tough to get the support of the Left for its reform proposals. Now it faces the prospects of being reduced to a minority in the Rajya Sabha, putting at risk the fate of all proposed legislations.

All Bills need to pass the muster of the Lok Sabha and the Rajya Sabha, and being a minority in the latter can further hassle the government.

BLOOMBERG

The new situation that the UPA may find itself in April arises because 59 Rajya Sabha members from different states retire then. Of these, 19 belong to the UPA and given the change in regime in some states, the UPA will get to nominate only 14. For a clear majority, the UPA requires 123 members in the Rajya Sabha, which has a total strength of 245. But the development in April will leave it with just 121 members, two short of majority.

P. Vaidyanathan Iyer

TOP 10 LISTINGS

BEST WOMEN CEOS

1	Catherine Burzik, Kinetic Concepts	37.6
2	Meg Whitman, Ebay	32.5
3	Linda Lang Jack, in the Box	28.5
4	Susan Ivey, Reynolds American	23.6
5	Anne Stevens, Carpenter Technology	14.2
6	Andrea Jung, Avon Products	13.9
7	Christina Gold, Western Union	12.5
8	Patrica Gallup, PC Connection	12.2
9	Anne Mulcahy, Xerox	9.9
10	Indra Nooyi, PepsiCo	9.4

Figures are percentage of returns to shareholders per annum Source: Forbes

STOCKMARKETS

BSE Asserts Its Presence

The BSE doesn't offer a good reason for acquiring 26 per cent of NMCE

THEY CALL IT consolidation in the financial market space. It could well be that, but it seems more like a deal forced by an identity crisis gripping the over 133-year old Bombay Stock Exchange (BSE).

On 25 February, BSE announced a 26 per cent acquisition in Ahmedabad-based National Multi-Commodity Exchange of India (NMCE), the third largest commodity bourse in the country, thus marking its entry into the commodity markets.

AMIT VERMA

SPICY DEAL: BSE could soon be dealing in commodities such as pepper and cardamom

The most actively traded commodities on the exchange are pepper, cardamom and rubber.

National Stock Exchange, which has long stolen a march over BSE in the equities market, already has a 15 per cent stake in Mumbai-based National Commodity & Derivatives Exchange (NCDEX), the second largest commodity exchange in India.

No details of the deal size were disclosed at the BSE-NMCE joint press conference held in Mumbai to make the announcement.

Kailash Gupta, managing director of NMCE, only disclosed that amongst the existing shareholders, institutional ones will be given the first preference to exit. This means the acquisition is not yet complete.

As on 31 March 2007, the issued capital of NMCE stood at Rs 15 crore, with nationalised banks holding 10.3 per cent, corporate bodies 65 per cent and one individual director of NMCE 24.3 per cent.

Rajesh Gajra

THE COST OF BAD GOVERNANCE

BY K. YATISH RAJAWAT

IT IS COUNTERINTUITIVE; THE price of bad governance on a micro issue is much higher than on a macro issue. Take, for example, power distribution in India. While the gap in generation and demand is a macro problem, it is the minor issue of distribution transformers that creates the maximum havoc in the system.

It is well known that transmission and distribution (T&D) losses are high in India. Most of these losses are blamed on theft. But such losses are just one part of the problem. The losses due to usage of substandard equipment is something that gets buried under T&D losses.

Most state electricity boards (SEBs) don't have any quality standard benchmarks for small transformers meant for last-mile transmission. Interestingly, some of the tenders from SEBs for the supply of these transformers state that internal quality standards of the vendor are sufficient. Lack of any mandatory standards means that the equipment supplied can always be sub-standard. It also gives procurement officers at SEBs enormous clout and it also leads to corruption.

A distribution level transformer is not expected to consume power. But because of poor quality copper or other material used, it loses power to heat and such losses can be as much as 3 per cent of the total power transmitted. This small figure assumes large proportions given the fact that 100,000 MVA transformers are produced every year.

A back of the envelope calculation by Sunil Malhotra of transformer manufacturing company Vijai Electricals shows this: a 3,000 MVA loss implies a loss of 2,400 MW. Even if this loss is cut by half, it will save 1,200 MW, which is a saving of Rs 7,200 crore, as every MW needs a capital investment of Rs 6 crore.

The cost of generating a KwH is Rs 3. India loses Rs 172.40 crore every day or Rs 63,072 crore every year because of poor-quality last mile transformers. And this is only for new transformers, the installed base for transformers is much bigger, as every MVA of power transmitted needs seven times the transformers down the supply chain.

So, a small step mandating quality controls and standards across the country can help India save Rs 63,072 crore every year.

GLOBAL WARMING

Taking On The Goliaths

The Kivalina example may be emulated in other parts of the world

THIS COULD SET A precedent of sorts. A tiny village in Alaska has filed a $400-million suit in a US district court against 24 energy companies — including Exxon Mobil Corp, BP, Chevron Corp, Peabody Energy Corp., Duke Energy and American Electric Power — accusing them of perpetuating global warming, which led to the melting of sea ice and has exposed the village to storms and flooding, forcing it to relocate.

AP

FEELING THE HEAT: Global warming reduces the amount of sea ice in the Arctic region

To win the suit, the lawyers representing the 400 residents of Kivalina village will have to establish the direct relationship between the defendant's actions and global warming.

Experts say small developing island-nations could take a cue from Kivalina and sue developed countries for environmental negligence.

Sumati Nagrath

Kenyan

CRISIS

Power sharing: The two-month long violence in Kenya has finally met a peaceful end. Kenyan President Mwai Kibaki and opposition leader Raila Odinga signed a power-sharing agreement on 28 February. About a thousand people lost their lives in the bloodshed that started after the controversial Presidential elections in December last year.

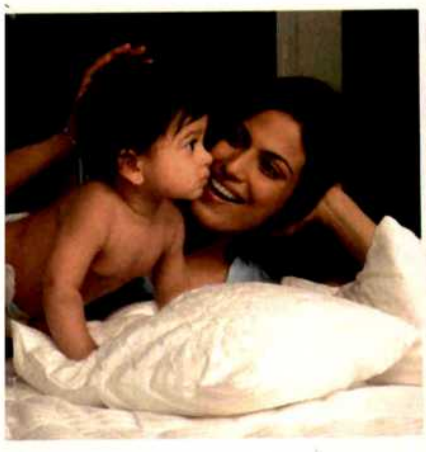
17 thousand dollars. The amount four strands of George Washington's hair fetched in an auction

Selected
Business
Superbrand
INDIA 2008
Industry Validated

K.RAHEJA®
UNIVERSAL
Building Trust. Building Lifestyles.

UNIVERSALLY TRUSTED

Trust is the cement of a relationship. We build grand and futuristic buildings,
choose dramatic locations, create environments to live and work in and surround you with
world class luxury and amenities. But our greatest strength is handling that fragile thing called trust.



RESIDENTIAL • COMMERCIAL • IT PARKS & SEZS • RETAIL • HOSPITALITY

K. Raheja Universal Pvt. Ltd., Raheja Centre-Point, 294, C.S.T. Road, Near Mumbai University, Off Bandra-Kurla Complex, Santacruz (E), Mumbai. 400 098, India. Tel: +91 22 6641 4141. Fax: +91 22 6641 4242 E-mail: mail@krahejauniversal.com; Website: www.krahejauniversal.com.

Critical growth

Bangalore-based medical electronics equipment company Opto Circuits India has signed an agreement to acquire US-based medical instruments company Criticare Systems Inc. for $70 million.

While this will enhance Opto Circuits' presence in the US, it will open new global markets for Criticare's products. Criticare will operate as a wholly owned subsidiary of Opto Circuits.

Divide and rule

Mumbai-based telecom software company Spanco Telesystems & Solutions is consolidating its BPO operations into a wholly-owned subsidiary — Spanco BPO Services. This will create five different BPOs for different geographies: Spanco UK, Spanco Respondez Services (Intl) for US operations, Spanco GKS Solutions for West Asia, Spanco BPO for India and Bharat BPO for call centre operations for Indian Railways.

Destination Uttarakhand

Heavy vehicle maker Ashok Leyland has said it will double investment in Uttarakhand to Rs 2,000 crore to manufacture commercial vehicles and engine parts. In a new plan submitted to the State Industrial Development Corporation of Uttarakhand, the Chennai-based company said it wanted to buy 17 acres at Pant Nagar, where it already has 175 acres.

HEMANT MISHRA

Sinosteel's India focus

Chinese steel major Sinosteel has announced its decision to invest $50 million in India to make forged rolls used by steelmakers. Work on its first manufacturing facility in Haldia in West Bengal will start in April. The Haldia facility will produce 5,000 units of forged steel rolls a year.

Google's high-speed solution

Google has announced its decision to fund Unity, a $300-million, 6,200-mile long high-speed under sea cable that connects Japan to the west coast of the US. The other companies involved in the project include Sing Tel and Bharti Airtel and deep-sea cable experts Pacnet. The new cable network will increase Trans-Pacific capacity by 20 per

DEALTRACKER

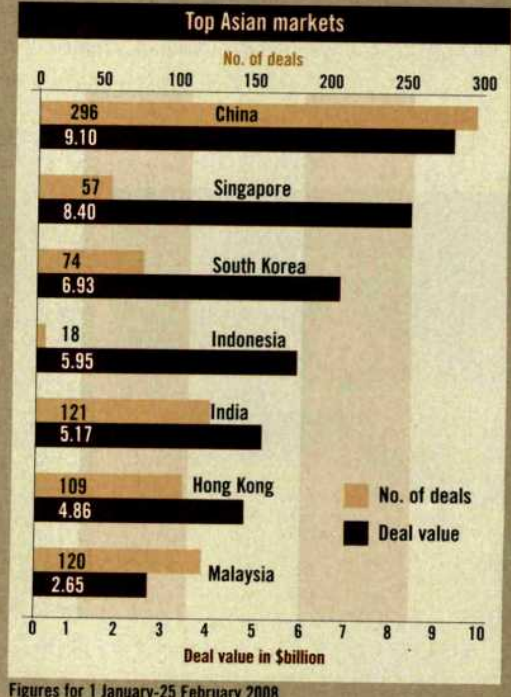
BW-THOMSON FINANCIAL M&A TRACKER

February The Asian M&A market saw 888 deals worth $47.91 billion as on 25 February. China was the largest market with 296 deals worth $9.10 billion. Singapore was the second largest ($8.40 billion).

Top Indian deals

TARGET	TARGET NATION	TARGET	ACQUIRER NATION	DEAL SIZE ($M)
JB Ugland Shipping	Norway	Siva Ventures	India	302.40
Allcargo Global Logistics	India	Blackstone Group	US	61.09
Strides Arcolab	India	Genepharm Australasia	Australia	58.79
DM Healthcare	India	Hutchison Whampoa International	British Virgin	50.52
AxiCorp	Germany	Biocon	India	43.58
JBR	US	Renaissance Jewellery	India	40.00
CapitalStream	US	HCL Technologies	India	40.00
Taro Pharmaceutical Inds	Israel	Sun Pharmaceuticals Inds	India	38.05
James Robinson	UK	Vivimed Labs	India	21.15
BAG Films & Media	India	FID Funds (Mauritius)	Mauritius	14.28

Figures for 10-23 February 2008



Figures for 1 January-25 February 2008

BLOOMBERG

cent, with the potential to add up to 7.68 terabits per second — equivalent to 60 double-layer DVDs per second.

In the lime light

With an eye on the Commonwealth Games, Mumbai-based electrical equipment manufacturer Crompton Greaves is buttressing its lighting portfolio. The company has announced tie-ups with Lemnis Lighting of the Netherlands and Fael Luce Lighting of Italy for LED lighting and instadia lighting, respectively. Initially, LED lighting products will be imported and marketed jointly by Crompton Greaves and Lemnis. The deal with Fael Luce is aimed at lighting solutions for large sports-related projects

Tata dials China

Tata Communications (TCL), formerly government-owned Videsh Sanchar Nigam or VSNL and now in the Tata fold, has signed an agreement with China Enterprise Netcom, a subsidiary of China International Trust and Investment Corp. With this, TCL will be able to expand its global virtual private network (VPN) — a form of communication over public telephone infrastructure that emulates private networks in terms of security — services to China.

Getting Getty

Seattle-based Getty Images has accepted the $2.4-billion takeover offer from US private equity firm Hellman & Friedman. The world's largest distributor of photos and video expects the deal to be completed in the second-half of 2008.

Getty's profits tanked recently due to stiff competition from internet-based rivals and its nearest rivals Corbis, which is privately held by Microsoft's Bill Gates.

Mass appeal

Chennai-based Shasun Chemicals & Drugs has signed a non-exclusive deal with US-based Merck & Co. to allow the latter the use of Shasun's proprietary cross-coupling copper technology to manufacture and market bulk drugs.

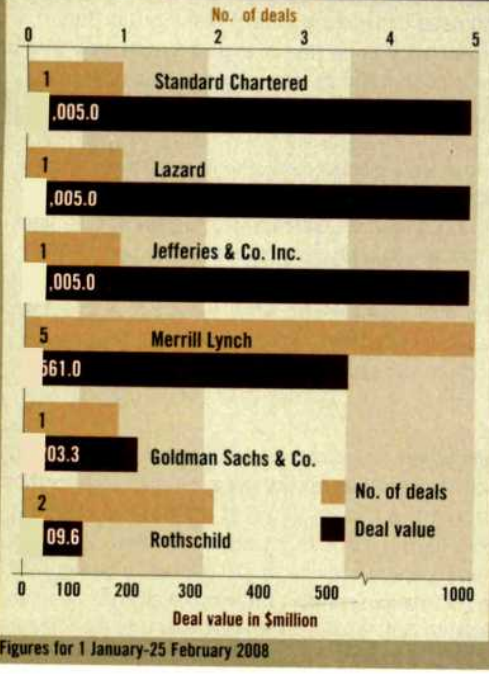
Orange's long-distance call

Orange Business Services, a subsidiary of France Telecom — one of the largest telecom service providers in Europe — has finalised a joint venture with storage devices manufacturer Moser Baer to foray into the long distance telephony segment.

Orange Business Services offers enterprise communication solutions to large multinationals in India. However, the company is not expected to foray into the retail long distance telephony segment.

BLOOMBERG

India financial advisory rankings



Figures for 1 January-25 February 2008

Top Asian deals

TARGET	TARGET NATION	ACQUIRER	ACQUIRER NATION	DEAL SIZE ($M)
Delong Holdings	Singapore	Evraz Group	UK	2,257.56
Renaissance City Development Co.	Hong Kong	Champion REIT	Hong Kong	1,603.55
Shanxi Jinye Coal & Coking	China	Taige Bio-Tech Co	China	929.88
Pac Century Premium Dvlp	Hong Kong	PCCW	Hong Kong	338.76
Yulin Yinfeng Chinese Medicine	China	Along Tibet Co.	China	324.03
JB Ugland Shipping	Norway	Siva Ventures	India	302.40
Hitachi Semiconductor	Singapore	Chartered Semiconductor Manufacturing	Singapore	233.00
SK Holdings Co.	South Korea	SK C&C Co.	South Korea	212.00
Hebei Huadian Shijiazhuang	China	Huadian Power Intl Corp.	China	164.13
Broad Wise	Hong Kong	Investor group	Hong Kong	149.6

Figures for 10-23 February 2008

Figures are based on ultimate parentage, meaning that an M&A deal carried out by a unit abroad will still be counted as that of the home country, provided the overseas unit is majority owned by the parent. Deal value is the total value of the consideration paid by the acquirer, excluding fees and expenses but including liabilities assumed. If the acquirer is buying 100 per cent of a non-financial company from a currently-held percentage of less than 50 per cent, deal value is calculated by subtracting the value of any liabilities assumed by the acquirer and adding the target's net debt. US dollar equivalents are computed using the exchange rate at the time of the deal's announced date. League tables are credited proportionately among financial advisors involved in a deal whether the firm participated as target or acquirer financial advisor.

Log on to www.businessworld.in for the complete list

Was the Union Budget a success and does it strengthen the UPA's electoral prospects?

We asked... Sunil Godhwani, CEO, Religare, M.F. Vohra, Pres., All India Rubber Ind. Assoc., Arpit Agarwal, Group CEO, Dawnayday AV, Anshuman Magazine, CMD, CB Richard Ellis, South Asia, Arun Firodia, Chr, Kinetic Group, Manohar Bidaye, Chr, Zicom Elec. Security Sys., B. S. Kumar, Group COO, Network 18, B.B. Chakrabarti, Prof., IIM, Kolkata, Ajay Shah, Sr Fellow, NIPFP, Pawan Gulani, Mgr, Strategy, Fin. services division, Reliance Retail, S. Rajagopal, AVP, SSKI Corp. Fin. and Inv. Banking, Suresh Surana, Founder, RSM Astute Group, R. Venkatesan, Sr Fellow, NCAER, Ajay Sahai, DG, FIEO

"Budget 2008 is focused on inclusive growth with higher thrust on education and healthcare."

Sunil Godhwani, CEO and MD, Religare Enterprises

"The intention of the Budget may be good, but the execution also has to be efficient."

B.B. Chakrabarti, Professor, Finance and Control, IIM, Kolkata

"It was a welcome Budget, but the supply-side bottlenecks are not being removed."

Arun Firodia, Chairman, Kinetic Group

Yes 28%

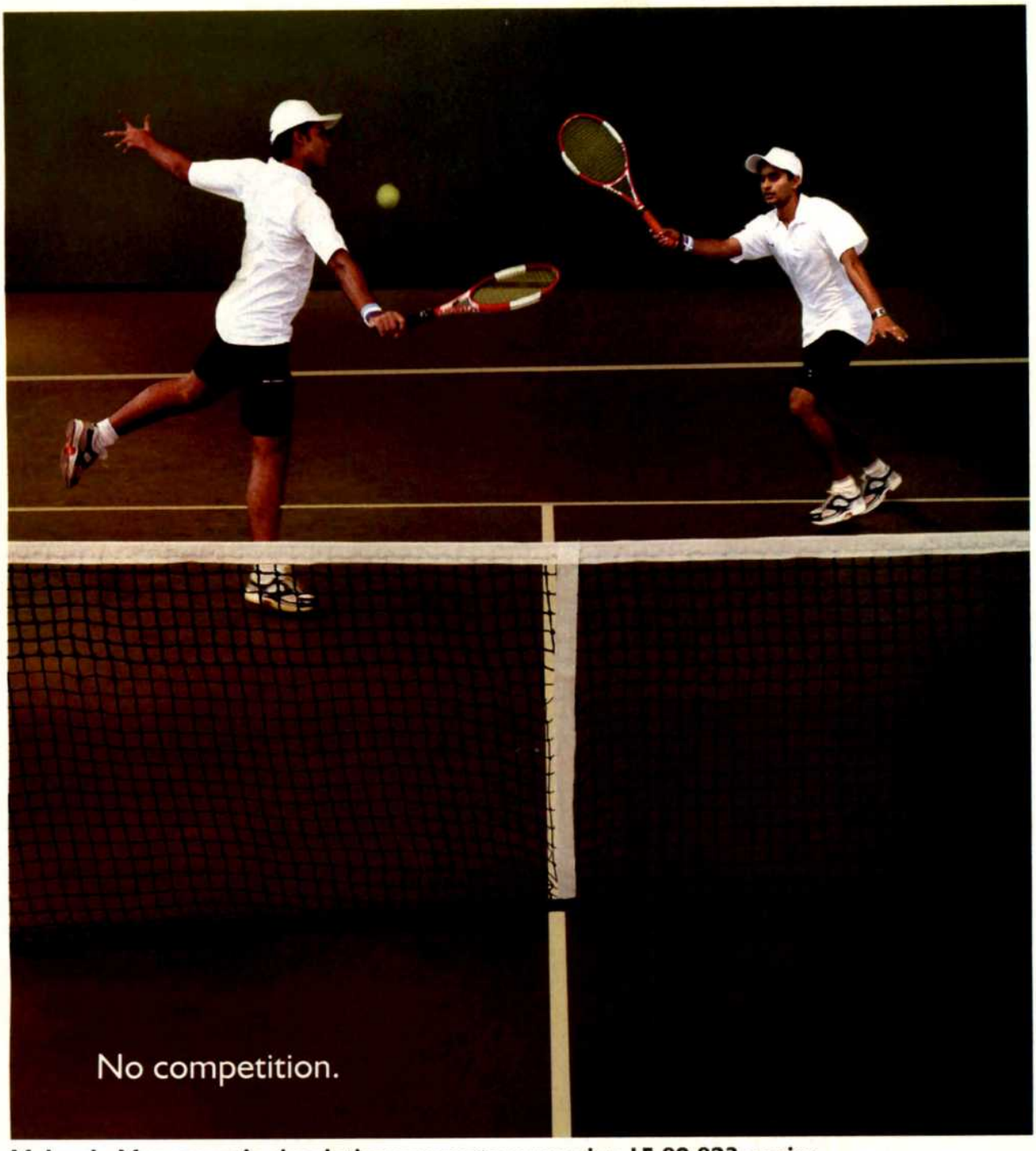
YES BECAUSE: Some respondents did feel that this year, Finance Minister P. Chidambaram delivered a well-balanced Budget that focused on all the right issues. From inducing greater consumption spending by increasing disposable income to maintaining the momentum of investment in the economy by cutting import duties on capital goods, all these steps would, in the long term, imply a high growth rate and, thus, better electoral prospects for the UPA. There used to be a time when people would sit glued to their television sets as the Finance Minister delivered the much-anticipated Union Budget speech. Today, the Budget may not be so eagerly awaited an event for anyone besides the media and various political lobbies, but its implications for the economy and its people are still as relevant.

No 36%

NO BECAUSE: The Rs 60,000-crore farmer loan waiver was clearly the hero/villain (depending on how one chooses to look at it) of the FM's address to the Parliament on 29 February. Some called the move 'path breaking' while most felt it was 'populist'. Some of our respondents shared similar sentiments. One view that was brought up was that the loan waiver just appears to benefit the small and marginal farmers, but the truth remains that the poorest farmers are not even exposed to the formal banking sector and rely on local moneylenders for their credit needs. Also, some felt that just the right allocation of funds (as it has been done in areas such as education) is not enough as long as its implementation is not effective, as that too reflects poorly on the government's performance.

Maybe 36%

MAYBE BECAUSE: Some of our respondents felt that there was nothing spectacular about the Budget. A point made by one of the respondents was that the Budget doesn't even play an important role in deciding the electoral fate of the government any more. A historical look at the last two elections would validate this point. Besides, some also felt that the FM played 'safe' by abstaining from making any outrightly populist (except, perhaps, for the loan waiver scheme, which most believed to be populist in nature) move to please various lobbies. To please one side almost always means to displease another side. In this regard, some felt that it was a rather forgettable Budget and might not have any significant impact on the government future electoral prospects.



Malayala Manorama's circulation zooms to a massive 15,89,823 copies.

Now with an unassailable lead of 4,82,999 copies, Malayala Manorama continues to be Kerala's No. 1 daily. Unchallenged, as always.

Malayala Manorama

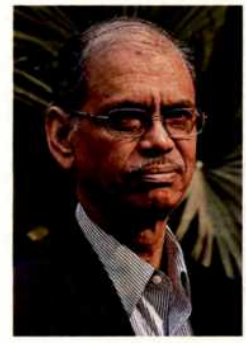
Nobody delivers Kerala better

Source: ABC Jul-Dec 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,89,823 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,77,881 Printed at Bangalore - 23,000, Chennai - 10,364, Kozhikode - 1,22,623, Mumbai - 21,894, Kannur Edn - 1,06,672, Kochi Edn - 2,46,429, Kollam Edn - 1,31,265, Kottayam Edn - 2,01,500, Pathanamthitta Edn - 1,06,502, Malappuram Edn - 98,604, New Delhi Edn - 13,649, Palakkad Edn - 98,558, Thrissur Edn - 1,57,025, Trivandrum Edn - 1,61,558.

Patriotism Is Bad Business

by nayan chanda

ALMOST WITH THE INEVITABILITY OF SPRING following winter, the presidential election campaign moving to America's Midwest rustbelt has taken on a protectionist edge. Echoing then presidential candidate Sen. John Kerry in 2004, Senator Barack Obama has embraced economic nationalism, but with a positive spin. While Kerry threatened to take away tax advantages from 'Benedict Arnold CEOs' — named after the general who betrayed America during its war of independence — for shipping jobs overseas, Obama promises rewards for patriotic employers. A Democratic Congress could help a President Obama to deliver on his campaign promise but tax incentives alone would do little to halt relocation of industry and global redistribution of jobs. History is replete with examples of economic nationalism's failure to roll back the quest for profit and good life that drives global trade.



History has shown economic nationalism's failure to roll back the quest for profit and good life

Obama's promised Patriotic Employer Act, would give tax breaks to "companies... who create good jobs with decent wages right here in America." Rival Senator Hillary Clinton is equally tough. She has pledged, "We're going to end every single tax break that... gives one penny of your money to anybody who exports a job." These fighting words are welcome in Ohio, a state which has lost tens of thousands of manufacturing jobs since 2000. But the emphasis on tax measures overlooks the more compelling factors that lead companies to move abroad. To be competitive, they go where there is a market for their products and where production is cheaper.

US manufacturing jobs have been in steady decline for decades as industry has moved to lower-wage countries and factories have automated. Compared to 1979, when one in five American workers were in manufacturing, now it is only one in ten. Economists estimate only 11 per cent of this decline can be traced to trade. Ironically, during the same period, productivity per worker has more than doubled, indicating use of higher technology and educated workers.

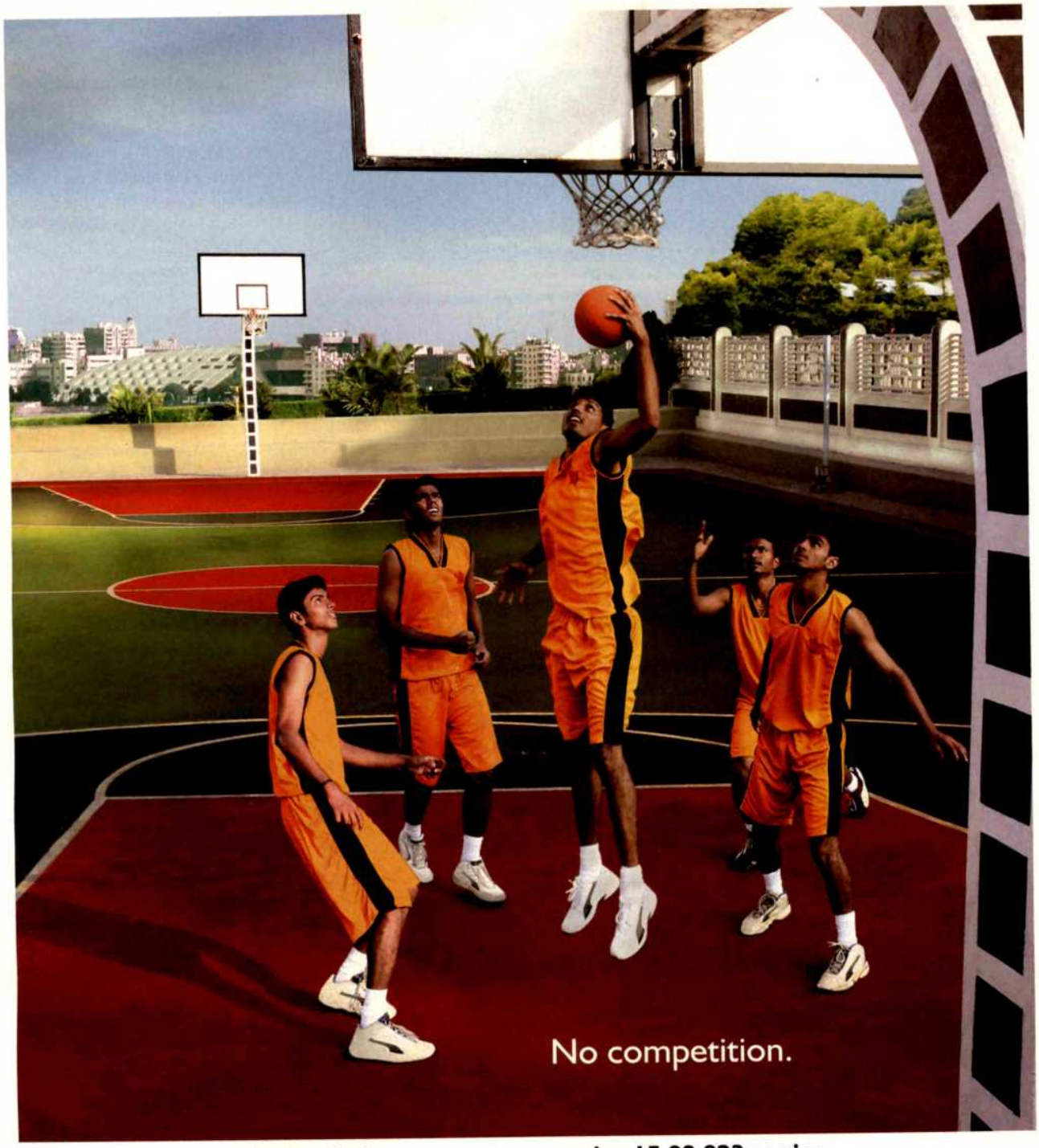
The historical fact is that factories and jobs move with changing technology and changing markets to locations offering the most efficient access to labour and capital. In the 18th century, America's industrial revolution began with textiles in the northeastern states before higher wages, land prices and availability of resources drove manufacturing south and west. The rise of Asian economies, coinciding with plummeting transportation costs and tariffs, extended the boundaries of where US industry could relocate or have their components manufactured at a cheap price. Unable to compete, many industries have shut down, some have gone abroad, and others have improved productivity. In the process, new high-tech industries have emerged.

Offshored industry and supply-chain production have kept America's shopping malls full with low-cost goods and its inflation rate low. Industries that have taken production offshore have not only increased their earnings, but low taxes have boosted profit margins as well. Obama's enticement of a patriotic tax credit to keep jobs in the US would work only if tax breaks were a central incentive for factories to shift abroad. Instead, the main reason why operations are sent offshore was on display the very week he called for helping patriotic employers. In Obama's hometown, the *Chicago Sun-Times* newspaper group announced that it would be laying off an unspecified number of workers whose print and online ad production jobs would be outsourced to India and the Philippines. The move is expected to stem red ink by trimming $3 million a year. As with most companies, the media group would prefer to stay in the black than drift into the red while wearing a medal of patriotism.

In history, the discouragement of high tariffs and the emotional appeal of patriotism have succeeded in keeping foreign goods away, but only for a period. Ultimately, business's desires to maximise profits and the consumer's desire to live better have triumphed. Two thousand years ago, the Roman emperor Tiberius condemned luxury imports as unpatriotic, decrying the system "which drains the empire of its wealth, and sends, in exchange for baubles, the money of the commonwealth to foreign nations". The admonition was backed by high tariffs but to little avail.

Obama and other politicians will find that fostering conditions to nurture new industry and training people for new jobs have a better chance of protecting American workers than by legislating patriotism.

The author is Director of Publications at the Yale Center for the Study of Globalization and Editor of YaleGlobal Online. boundtogether.bw@gmail.com

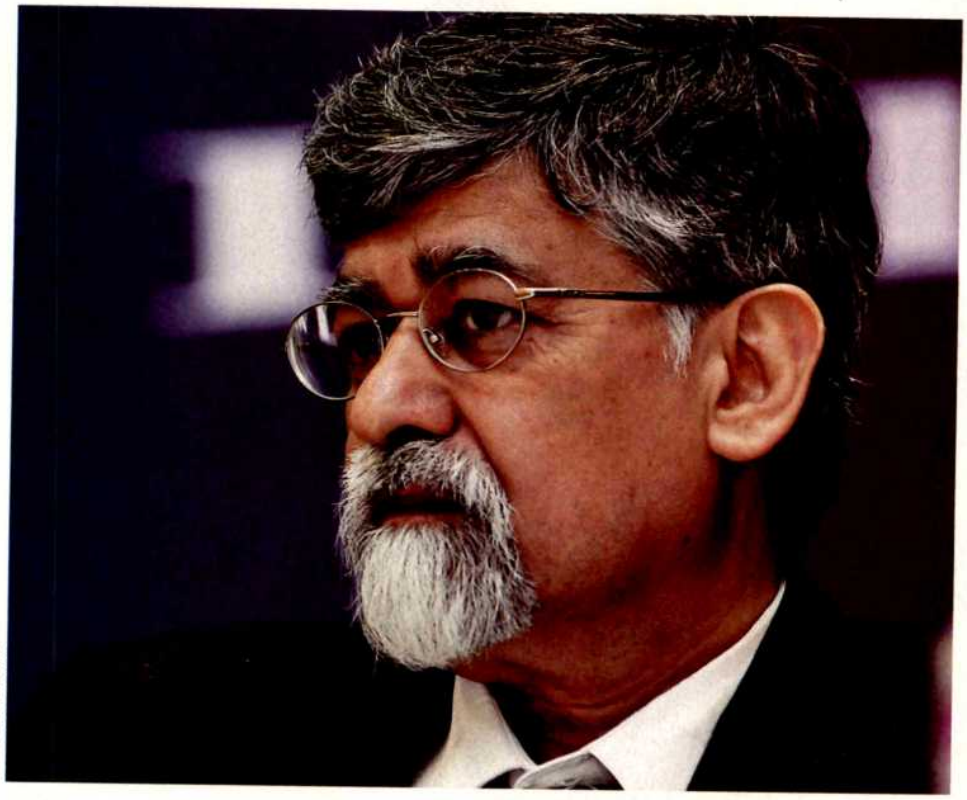


Malayala Manorama's circulation zooms to a massive 15,89,823 copies.
Now with an unassailable lead of 4,82,999 copies, Malayala Manorama continues to be Kerala's No. 1 daily. Unchallenged, as always.

TBWA\INDIA

Malayala Manorama
Nobody delivers Kerala better

Source: ABC Jul-Dec 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,89,823 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,77,881 Printed at Bangalore - 23,000, Chennai - 10,364, Kozhikode - 1,22,623, Mumbai - 21,894, Kannur Edn - 1,06,672, Kochi Edn - 2,46,429, Kollam Edn - 1,31,265, Kottayam Edn - 2,91,590, Pathanamthitta Edn - 1,06,592, Malappuram Edn - 98,604, New Delhi Edn - 13,649, Palakkad Edn - 98,558, Thrissur Edn - 1,57,025, Trivandrum Edn - 1,61,558.



TRIBHUWAN SHARMA

The Smart, New Look

by P. Vaidyanathan Iyer

The survey offers simple solutions to some crucial issues

FRESH PERSPECTIVE: Arvind Virmani, CEA, Ministry of Finance

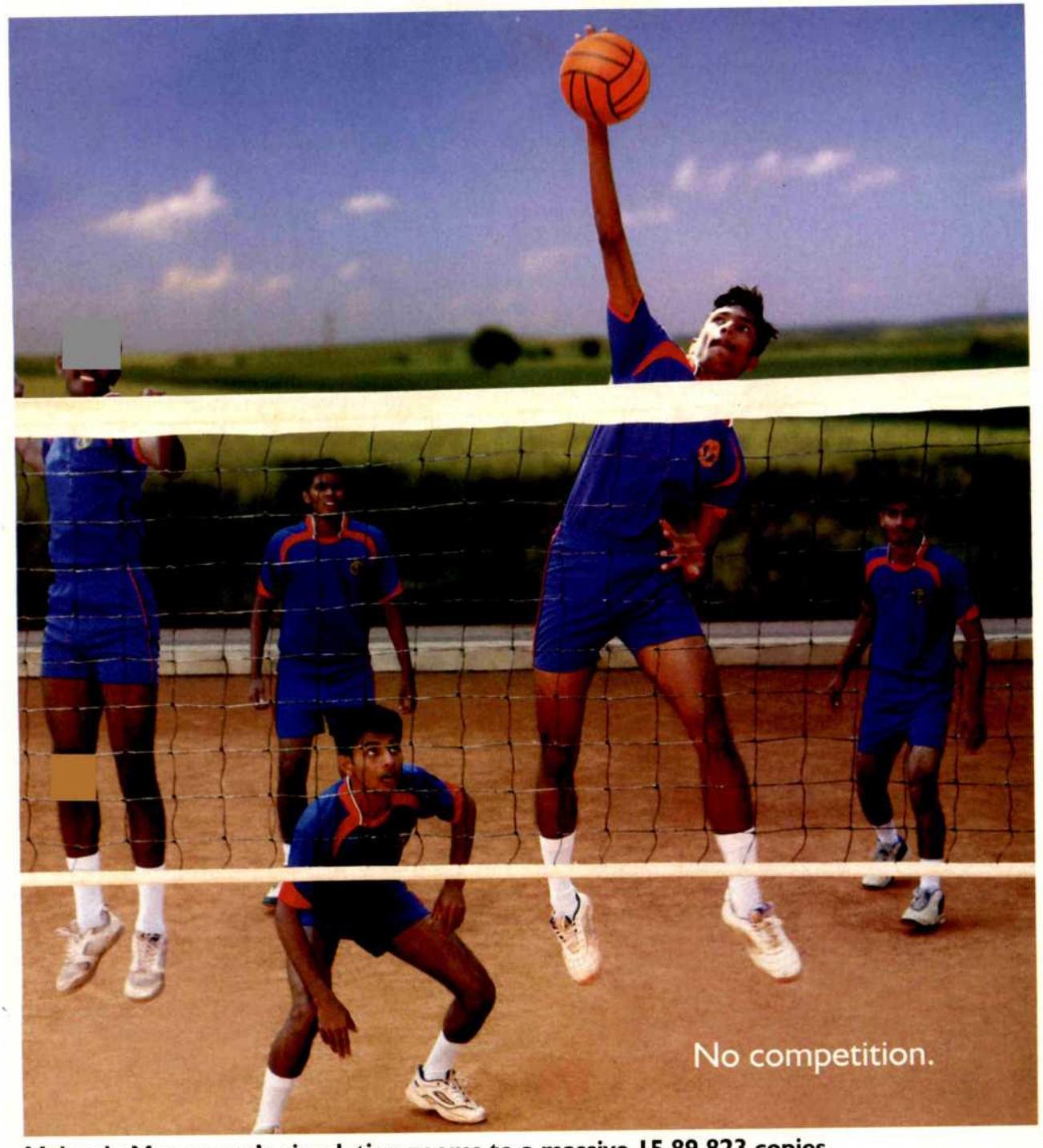
THERE IS SOME FRESHNESS ABOUT THE ECONOMIC survey this year that makes one sit up and take note of the bulky document — 263 pages of text and 125 more pages of data. Not only does it present information in a newsy fashion, it also looks smart, for a change.

After long years, the economic division in the finance ministry has indulged in some serious reorganisation of the survey's various chapters. Not to miss out in the survey is the division's candour in spelling out the pre-conditions for a sustainable 9 per cent growth rate, and elaboration on the risks involved. The lead author of the survey this year is Arvind Virmani, chief economic advisor (CEA) in the Ministry of Finance. Unlike his predecessors who stuck to a format that was staid and has remained so for the past 15 years, Virmani has rearranged chapters to explain the forces that drive different aspects of the economy today, and the policy response to these. He has also borrowed from his experience in the Planning Commission and, hence, in some places his chapters read more like a mid-term appraisal of the sectors being surveyed.

The economy survey is an analysis of developments in the past year. But since it is tabled in Parliament just a day before the finance minister's Budget speech, it serves as an update of the country's economy. One gets an idea of the context in which the Budget was prepared and its various proposals finalised.

To give an example of the welcome changes in Economic Survey 2007-08, Virmani has introduced a new chapter on 'challenges, policy response and medium-term prospects' where he talks in detail about the challenges that inflation and capital inflows pose to a sustained high growth rate. He proposes to include such specific policy issues in any area in the surveys, and these could differ from one year to the other. Although he waxes eloquent on the challenges, he doesn't do much to present the downsides of tackling these issues head on. Should India sacrifice growth at the altar of inflation, and more important, is it ready to look at stemming capital inflows through some short-term tax? Obviously, the government (the finance ministry) and the Reserve Bank of India, which is responsible for keeping inflation under check, think differently on how to handle these.

In this year's survey, Virmani expectedly analyses growth and macroeconomic management with particular reference to capital inflows, which have flooded Indian shores in the past two years to touch almost 4 per cent of the gross domestic product (GDP). Such a surge has led to large accumulation of foreign exchange reserves and has also put pressure on prices. While on the one hand the RBI is groping with ways to absorb the dollar influx — which in all probability will continue to invade India in the coming years, on the other, managing inflation is getting complex and difficult, more also because of rising global commodity prices. In the longer term, the solution to excess capital inflows lies in reducing the interest rate differential and the build-up of expectations on



Malayala Manorama's circulation zooms to a massive 15,89,823 copies.

Now with an unassailable lead of 4,82,999 copies, Malayala Manorama continues to be Kerala's No. 1 daily. Unchallenged, as always.

TBWA\INDIA

Malayala Manorama

Nobody delivers Kerala better

Source: ABC Jul-Dec 2007. Total average net paid sales of Malayala Manorama Daily in India - 15,89,823 copies. Average net paid sales of Malayala Manorama published from Kozhikode Edn - 1,77,881 Printed at Bangalore - 23,000, Chennai - 10,364, Kozhikode - 1,22,623, Mumbai - 21,894, Kannur Edn - 1,06,672, Kochi Edn - 2,46,429, Kollam Edn - 1,31,265, Kottayam Edn - 2,91,590, Pathanamthitta Edn - 1,06,592, Malappuram Edn - 98,604, New Delhi Edn - 13,649, Palakkad Edn - 98,558, Thrissur Edn - 1,57,025, Trivandrum Edn - 1,61,558.

the rupee. But the RBI is unwilling to cut rates, and the finance ministry wants desperately to see rates drop to boost consumption.

As far as inflation is concerned, the survey says infrastructure sectors, where the control is still with the government or state-owned enterprises, will create supply bottlenecks because lack of competition makes them sloppy and inefficient, thereby clogging even existing infrastructure. The agricultural sector output too does not match the demands of a growing population and changing food habits, but this has got more to do with the structural problems the farm sector faces. Virmani conveniently leaves management of sub-sectoral flare-ups occurring due to government inaction to the RBI.

Despite such pathetic neglect of infrastructure that are critical to growth in the coming years, Virmani maintains that the lower estimated growth rate of 8.7 per cent in 2007-08 is nothing much to worry about and should not be seen as a sign of a shift of the economy to a lower growth trend. Of course, if India achieves the growth target of 9 per cent as set out in the Eleventh Five Year Plan (2007-12), and steps up the growth rate to 9.5 per cent in the succeeding year, the country's economy would have averaged 9 per cent over a decade. This will put India in a select league of about a dozen countries, including China, Singapore, Thailand and South Korea, that have recorded such a feat for at least a decade during their growth trajectory.

TOUGH OPTIONS

- Sell 5-10% equity in profit making non-navratnas. List all unlisted public sector enterprises and sell 10% to public
- Raise foreign equity share in insurance to 49%, allow insurers providing health and weather covers to have 51% FDI
- Introduce a new bankruptcy law or a section in the Company Law to make it easy for failed companies to wind up
- Allow private entry in coal mining and privatise old mines to improve recovery of 'in-place' reserves by 5-10%
- Permit limited FDI in retail trade. Allow 100% FDI in luxury, consumer durables and semi-durables retail chains
- Allow 100% FDI in greenfield private rural-agricultural banks and let them open as many branches as they want
- Phase out control on sugar, fertilizer and drugs; sell old oil fields to private firms that have better technology
- Let private companies run bus transport systems and metros. Overhaul parking fees system in metros and big cities
- Increase work hours in a week to 60 hours from 48 now. To meet seasonal demand, set daily work limit at 12 hours
- Prevail over states to allow open access in transmission. Let private players account for the transmission losses

In this newly-introduced chapter on challenges, the survey also lists the reform imperatives (see 'Tough Options') in a highlight box. Without going into great detail, it just talks about a dozen 'policy reform options', including increasing work hours in a week to 60 from 48, hiking foreign direct investment (FDI) in insurance to 49 per cent from 26 per cent, stake sale of 5-10 per cent in profit-making public sector enterprises and introducing a law on bankruptcy to facilitate an easy exit route for failed companies. These haven't happened in the past four years, and seem unlikely in a year ahead of elections.

The re-arrangement of chapters by Virmani, too, is based on a logical argument. Four chapters that were a constant feature in earlier surveys — Monetary and banking developments, Capital and commodity markets, Prices and food management and Agriculture — have been crunched or re-organised into three. Clearly, there are strong inter-linkages between these, but they were structured thus because they are handled by four different departments. The new CEA has modified and re-arranged these as Prices and monetary management, Financial intermediation and markets, and Agriculture and food management.

The survey doesn't mince words in talking about the poor progress in financial sector reforms in India. It notes that the banking sector remains, by and large, a government oligopoly despite the entry of private players. State-owned banks continue to hold over 70 per cent of outstanding loans. In fact, the Competition Commission of India, the regulator for ensuring competition in the various sectors of the economy, has talked about financial repression in the banking sector and has pointed out that no new banking licences have been granted in the past four years. Further, the survey says that the insurance sector has a long way to go and FDI limits are too low. It has actually recommended FDI up to 51 per cent for insurance companies providing exclusively health and weather cover.

Virmani says India must develop its infrastructure, not just for a sustained 9 per cent growth rate, but also to ensure inclusiveness of the growth process. The survey singles out the power sector, where capacity addition has been poor, compared with the robust performance of manufacturing and services. Investment in infrastructure too need to gather greater momentum.

Unfortunately, in the Budget the next day, the government did not quite firm up its mind on most of the pre-requisites for a 9 per cent and higher growth rate. But then, Finance Minister P. Chidambaram will have a reference book.

pv.iyer@abp.in

A Virgin In India

by M. Rajendran

Rivals accuse Virgin-TTSL of flouting telecom laws

RATAN TATA'S DECISION TO FORM A TELECOM services joint venture (JV) with the original 'King of Good Times', Richard Branson, has rivals crying foul. As per the terms of the 50:50 JV between Branson's Virgin Group and Tata's Tata Teleservices (TTSL), the two players will offer co-branded mobile services.

The aim is to win over younger mobile users with Virgin's global brand appeal, unprecedented tariffs and freebies. Among them will be funky 'Virgin' branded handsets that will be bundled with free airtime for students. "Young people have different tastes and we'll offer that on mobile in the new brand," says a source in TTSL. The co-branding would only be used at the front end — in marketing campaigns. The actual service would be routed through TTSL and even the SIM cards would be branded TTSL.

Virgin will also provide TTSL with consultancy services.

The JV is clearly an attempt by TTSL to ramp up its subscription numbers. The company is India's fifth largest mobile operator with 21 million subscribers.

TTSL, which once offered only CDMA services, but will soon have GSM services as well, will also retain its own brand.

But rival mobile operators have raised an alarm about the nature of the relationship between TTSL and Virgin. In their eyes, the tie-up amounts to allowing Virgin to become a mobile virtual network operator (MVNO) in India, which is illegal under the current telecom laws. MVNOs are companies that buy lines/SIM cards from telecom operators in bulk and sell them under their own brand. This is how Virgin operates in the UK.

The Cellular Operators Association of India (COAI) led by Sunil Mittal's Bharti Airtel and Kumar Mangalam Birla's Idea cellular have already written to Department of Telecommunications (DoT) about their concerns. "We have no clarity about the business arrangement the two companies have," says a senior member of Bharti Airtel's regulatory team. "It's for the government to clarify and for them (TTSL & Virgin) to come clean."

In response, DoT has asked TTSL for a clarification. So far, the Telecom Regulatory Authority of India (Trai) has refused to comment in the absence of any written documents on the Tata-Virgin tie up. But sources say TTSL Managing Director Anil Sardana had met up with Trai chief Nirpendra Mishra and allayed doubts that TTSL's deal with Virgin constitutes an MVNO. "The arrangement is purely within the existing licence regime," says a source close to TTSL. TTSL sells its products and services through multi-brand outlets, super distributors, and its own sales staff. The Virgin arrangement will utilise the same channels and will not violate any licence conditions, the source said.

"Virgin is a foreign brand that does not have any licence to operate in India" says a senior executive in Anil Ambani's Reliance Communications. "Even use of the brand is a licence breach."

Clearly, the telecom battle is getting hotter.

m.rajendran@abp.in

SANJAY SAKARIA

CATCH 'EM YOUNG: Virgin plans to capture the lucrative young mobile users market

International Accounting US I UK I Canada

Tax Preparation * Conversion as per GAAP, IFRS

9811520135 I sanjeev@ekminfo.com I www.ekminfo.com

EKM Excellence in International Accounting & Taxation

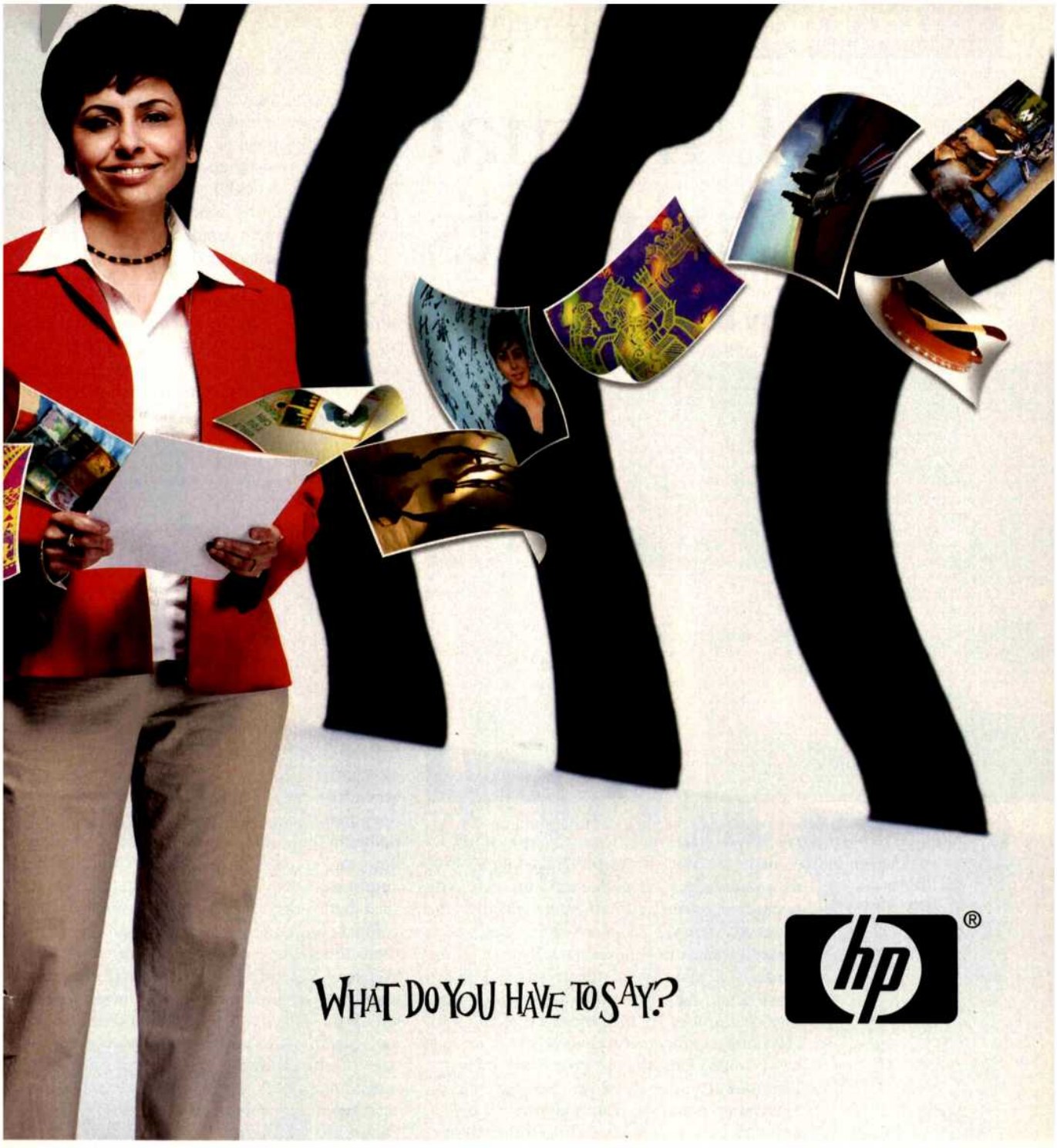
"YOU CAN ALWAYS DO MORE, YOU CAN ALWAYS DO BETTER."

Ashwini Deshpande. Founder Director & Principal Designer, Elephant Design, Pune.

When you're starting your own business, giving your 100% is not enough. Multi-tasking holds the key to success. As a designer, businesswoman, writer and academician, I play many roles every day. That's what led my company to become India's premier design house. And that's what I appreciate most in my newest HP printer. Created by the world leader in printing, the HP OfficeJet All-in-One saves precious time and money with its multi-functional print-scan-copy-fax features. While giving me the freedom and flexibility to do what I do best - design the future.

MULTI-FUNCTIONALITY
HP OfficeJet 5610 All-in-One
Print, Fax, Scan, Copy.
Up to 20/13 ppm (Blk/Clr)[1],
100 page memory fax[2].
Rs. 9,449*

PUBLICIS HP-IPG 065/ww 08



VERSATILITY
HP OfficeJet 4355 All-in-One
Print, Fax, Scan, Copy, Phone.
Up to 20/14 ppm (Blk/Clr)[1],
200 page memory fax[2].
Rs. 6,999*

SMS **'HP' to 57575**
Call **3030 4499** (from mobile, prefix your STD code) or
1800 4254 999 (toll free, from MTNL/BSNL lines)
Visit **hp.com/in/officejet**
E-mail **in.contact@hp.com**

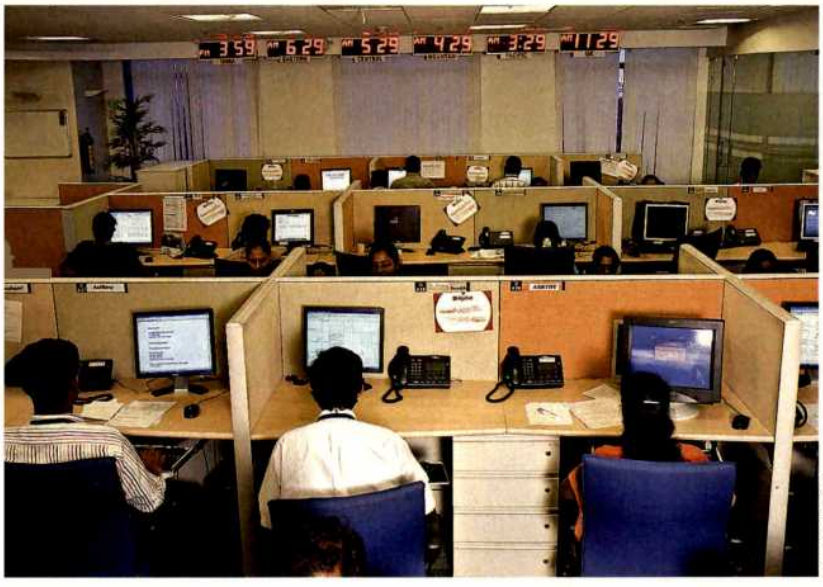
Buy
HP CARE PACK
to extend warranty to 3 years.

Now available off-the-shelf for HP consumer peripherals.

• **To know more about HP Care Pack E-mail at peace.of.mind@hp.com** [1]Dependent upon document type and printer mode; approximate figures. Exact speeds will vary depending on the system configuration, software program and document complexity. [2] Based on standard ITU-T test image #1 at standard resolution. More complicated pages or higher resolution will take longer and use more memory.*Est. street price, taxes and levies extra. Prices subject to change without notice. Conditions apply.
© 2008 Hewlett-Packard Development Company, L.P.

Unusual Suspects

by Dhanya Krishnakumar



R.A. CHANDROO

HAVE AN EYE ON 'EM: The guy in the next cubicle could be a terror operative

IT firms are finding new ways to deal with the new-age threat

IT'S THE ULTIMATE WHODUNIT. THE SUSPECTS could be anyone, anywhere. They could be meeting over a cup of coffee at your favourite restaurant, or working in the same office. In the absence of more focussed fear, they cause disbelief and unpreparedness. The shocking confession of arrested terror suspect Yahya Iyash Kammakutty, a software engineer and former employee of GE, reveals that some techies in Bangalore are in close contact with radical groups. This alleged group, according to Kammakutty's confession, has formed an association of techies. Kammakutty claims the network has made inroads into different corners of the country with several members of the banned Students' Islamic Movement of India (SIMI) amongst its ranks. The techies' group, headquartered in Bangalore, used to meet once a week or fortnight at public places.

Other unconfirmed reports suggest the group would convene in hotels and meeting halls in central locations such as Bangalore's arterial M.G. Road. The topics of discussion ranged from the persecution of Muslims across the world to the Mumbai serial blasts. These sources say evidence of money being channelled by the techie group to radical outfits exists, but this, too, is yet to be substantiated.

Police officials claim they have been aware of the network's existence for some time now, but lack of concrete evidence has prevented them from taking punitive action. Meanwhile, the IT industry is trying to come to terms with techies in respected software companies providing logistics in the form of data and funds, to support outfits such as SIMI and the Lashkar-e-Taiba (LeT). "Given the concentration of youngsters in the IT sector, it is important for this industry to ensure that all possible precautions and safety measures are put in place," says Som Mittal, president of Nasscom. "At this point, it is not alarming enough, nor are we companies trying to play Big Brother watching our employees. But we need to remain alert and active."

Nasscom recently set up the National Skills Registry (NSR), run by the National Securities Depository, which creates a unique identity for any person wishing to work in the IT industry. Additionally, fingerprints and photographs of a candidate are taken, and credentials verified by third party organisations. Once this information is authenticated, companies will have a centralised system from which they can verify the antecedents of a prospective employee.

"With the NSR number, we are creating an alternative identity for an individual, over and above the passport and other identification documents," explains Mittal. "The top 20 companies in the sector are now making this a mandate, and essential for candidates and existing employees to have an NSR number. By creating such deterrents, we can safeguard ourselves."

Most companies already have stringent methods to screen applicants. Even after they join, Web access is restricted to office mail and some essential websites. Companies have blocked sites for social networking, instant messaging, and gaming. Curbs have been placed on the uses of official mail. "But we can only do so much," says an IT official. "The government and intelligence agencies have to work together to ensure that things are kept in check." Companies are also investing in state-of-the-art internal security systems and surveillance measures.

Meanwhile, intelligence agencies would do well to help Bangalore remain India's IT capital, and only that. Several IT professionals this reporter spoke to found it impossible to believe, leave alone comment on, the possibility of a terror suspect in a colleague.

It is worth noting that, till recently, even the question was unthinkable.

dhanya.krishnakumar@abp.in

KONICA MINOLTA

The essentials of imaging

Style Meets Substance.

With Konica Minolta's new black bizhub, form and function combine to bring you a comprehensive product lineup that not only looks great, but also has the brains to help your office streamline communications and boost productivity. The new colour bizhub brings style and substance together in an MFP like never before. www.biz-hub.net.

bizhub

Change the way you do business.

Colour Printer | Colour Copier | Scanner | E-Mail | Fax | Data Storage

KONICA MINOLTA BUSINESS TECHNOLOGIES, INC.

Godrej

Godrej & Boyce Mfg. Co. Ltd. Prima Division,
3rd Floor, Plant 18/B, Vikhroli, Pirojshanagar,
Mumbai–400 079. India.

1-6-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Tel. : +91 (22) 67961627 / 67962653 / 67961610.
Fax.: +91 (22) 67961526.
Email: monga@godrej.com www.godrej.com

A City Only Of U-turns?

by rajeev dubey

TOWN PLANNING HAS NEVER FACED AS MANY challenges as it does today. And planners — particularly road network topology experts — are now being blamed for the environmental implications of complex tarmac arteries criss-crossing the world's major cities even as the economic cost of poor traffic flow is mounting.

Smart use of U-turns can reduce the need for some intersections and multi-crore flyovers

The 2007 Urban Mobility Report by the Texas Transportation Institute has estimated that traffic congestion costs the US economy $78 billion every year. That's nearly 8 per cent of India's economy. It costs every peak time traveller an additional $710 a year in excess fuel burnt, the report says. A previous study estimates that traffic snarls cost an average city $900 million because of the opportunity cost of work loss and excess fuel burnt-more than the money most large cities spend on building intra-city infrastructure every year. Bottlenecks account for 40 per cent of all traffic congestion, followed by accidents, 25 per cent; bad weather, 15 per cent; business districts, 10 per cent, and unplanned signal timing, 5 per cent. While bad weather and accidents are beyond control, at least 55 per cent of the reasons for congestion can be curbed substantially if cities had no intersections — only U-turns.

This may sound incredulous but smart use of U-turns can eliminate three-way intersections and substantially reduce the need for some four-way intersections and multi-crore flyovers, which cost up to 30 times the cost of accommodating a U-turn. All it requires is that the area around the U-turn be widened three to four times its normal width.

Aesthetically, these sections are ugly globules in road topography but they are the most cost-effective ways of regulating traffic. It's obviously tough to do this in older and established cities and this isn't the panacea for all congestion problems. But most certainly new cities and newer areas of old cities can be planned with just U-turns for constant traffic flow. In older cities, the first sets of intersections that can be eliminated are the T-junctions. It's criminal to burn fuel by stopping traffic at T-junctions because large U-turns on all the three roads approximately 300-500 metres ahead of the junction can easily eliminate the need to stop traffic. Even if U-turns force vehicles to drive a wee bit longer for their next U-turn, the constant flow of traffic will ensure that the vehicle would still burn lesser fuel than waiting at intersections. Especially, since the enormous flow of traffic has been gradually increasing wait time at traffic lights around the world. In Delhi, for instance, wait time at several key intersections in peak hour traffic is already 5 minutes. New flyovers have come to the rescue of the commuter at some of these intersections but this is still 250 per cent of the globally acceptable wait time of 2 minutes.

Planners like the Delhi-based India Habitat Centre's director R.N.S. Liberhan agree that U-turns could solve a lot of these problems, provided environmental concerns become an integral part of town planning. "Road planning has never been taken seriously in town planning," says Liberhan.

For very long, particularly in the 1960s to 1980s, roundabouts were seen as the answer to intersections of all types. A lot of new Indian cities such as Chandigarh or satellite townships like Gandhinagar, and newer areas in urban centres adopted the concept of roundabouts, which, incidentally, got larger and larger. In the 1960s, the new British town of Milton Keynes, about 45 miles north-west of London, adopted the concept of roundabouts.

However, as is being realised now, the biggest drawback of roundabouts is that they jam in 4-5-way intersections when traffic intensity peaks. Besides, city planners didn't account for the growth in vehicular traffic. Instead, in their knee-jerk reaction, they reduced the size of roundabouts to allow more vehicles. But the move boomeranged and worsened the traffic flow because it disrupted the alignment of vehicle flow by making the vehicle movement straighter, rather than rounder, causing greater chaos. Many of these roundabouts have now been eliminated to make way for traffic-light led intersections. Many countries around the world have deployed other techniques for smoother flow of traffic, including the widely used automation technique called 'actuation'. This actuates a green light if it detects a vehicle at a crossing when it can actually pass by for lack of traffic from the other sides. This could bring some relief to non-peak hour travelers but isn't a solution for the bumper-to-bumper traffic.

So, how about trying a city of U-turns only?

rajeevdubey@abp.in

Spreading the magic of Chemistry

across Beijing, Melbourne, Ulsan, Bangalore, Bhatinda, Ahmedabad

Chemicals shape the future by making fields fertile and food healthier, clothes shinier and teeth brighter, cars faster and life livelier. And as BASF Kids' Lab on Science Express travels across India, it will open young minds to the fascinating world of chemistry through an engaging exhibition and hands-on experiments.

The BASF Kids' Lab carries forward BASF's vision of shaping the future. It seeks to ignite a passion for chemistry in the hearts of the Generation Next, who will shape the nation tomorrow.

BASF IS PROUD TO PARTNER SCIENCE EXPRESS

(A joint-initiative of Dept. of Science and Technology (DST), Govt. of India, Govt. of Germany and Max Planck Society, Germany)

The exhibition-on-wheels with 16 AC coaches will bring over one million Indians across 57 destinations, closer to science.

BASF

The Chemical Company

BASF, the chemical company, shapes the future with over 8000 chemicals that enrich lives across 200 countries. Visit us at www.basf-india.com

Gold sponsor:

TATA

TATA CONSULTANCY SERVICES

Experience certainty.

In association with:

ADVANTAGE BENGAL

DESTINATION KOLKATA

International Media Partner: CNN

Radio Partners: 91.9fm friends | RED FM 93.5 Bajaate Raho

Official Banker: United Bank of India

Partner State:

Official Airline: AIR INDIA

Associate Sponsors:

AXSYS TECHNOLOGIES

CAMELLIA GROUP

CISCO

Cognizant

Computer Bichitra Bangladesh

MGF CREATING A NEW INDIA

FUJITSU

FUTURESOFT

HDIL Creating Value

HITACHI Inspire the Next

INFOGEN global

NDIA

PAILAN GROUP

PRESIDENT The first name in enclosure systems

Avocent

PRICEWATERHOUSECOOPERS

RICE GROUP

SAP

SIEMENS Siemens Information Systems Ltd.

Sun microsystems

symantec. Confidence in a connected world.

TALISMA

TATA COMMUNICATIONS

Team Educational Society under the aegis of Department of Sports and Youth Service

TEXAS INSTRUMENTS

UGFA Quality that's unbeatable

VIDEOCON IT PARKS

WBSEDCL

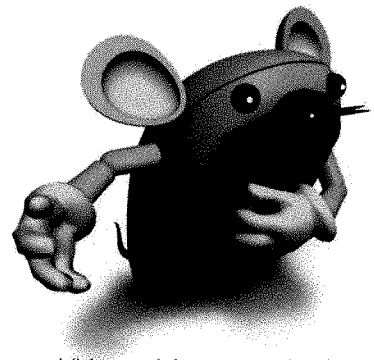
WDC

Webel opportunities infiniTe

WIPRO Applying Thought

Seagram's BLENDERS PRIDE MAGICAL NIGHTS

Thanks for being with us... thanks for making it spectacular!



We thank all our sponsors, exhibitors, delegates and visitors, for making INFOCOM 07-08, Calcutta. India's largest ICT exposition, a resounding success. It simply wouldn't have been possible without your active participation and continuous support. We look forward to meeting you again at INFOCOM 08-09, Calcutta, November 27th - 30th, 2008.

INFOCOM 07 08

Conference & Exhibition

Businessworld initiative

Hyderabad ▪ Calcutta

In exclusive partnership with CeBIT

Visit us at **www.indiainfocom.com**

Businessworld

UNION BUDGET 2008

36 Foreword: Ashok V. Desai

40 Chidambaram speaks

42 Magic or illusion?

46 What India Inc thinks

50 What it means for investors

52 What's in it for you

56 Column: Ajit Ranade

58 Views from sectors

62 Column: Omkar Goswami

66 Taxes under the microscope

68 Direct disappointment

70 Indirect relief

72 UPA report card

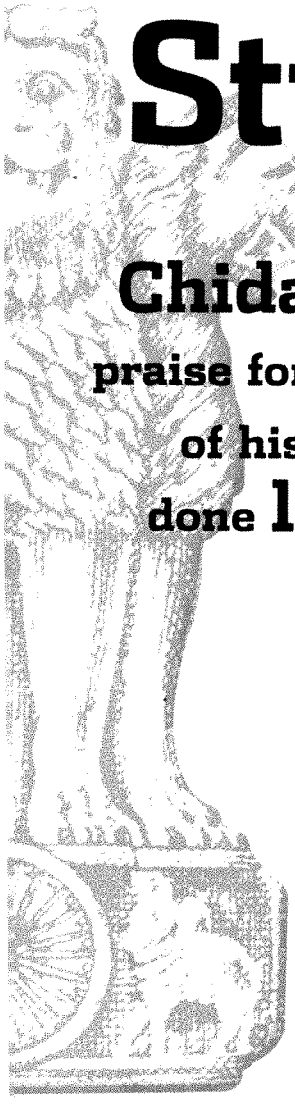
74 Absurdities of the Budget

76 Column: Rajeev Chandrasekhar

78 Anachronisms

PHOTOGRAPH: TRIBHUWAN SHARMA

Styles Of BUDG



Chidambaram deserves praise for correcting some of his mistakes, but has done little on the tax side

CHIDAMBARAM'S PREVIOUS Budgets for the UPA government all suffered from one or both defects. They imposed unnecessary, vexatious taxes, and they introduced regulations designed to harass taxpayers. If he wanted more revenue, he could have raised it by less vexatious means; what he meant to achieve with his regulations was either not worth the effort or could be achieved with less trouble.

This criticism cannot be applied to his latest Budget; and if he deserved criticism for some things he did, he deserves praise for having corrected some of his mistakes. He has promised to repeal the bank cash withdrawal tax, and to lessen the rigours of the fringe benefits tax. These measures must be welcomed.

But he did very little on the tax side; from the taxpayer's and accountant's angle, the Budget was a bit of a washout. He did reduce the central value added tax from 16 to 14 per cent; this was timely, because manufacturing growth is sinking. He should have done more, because the manufacturing slowdown is a forerunner. It will spread to the rest of the economy and before long we are likely to have a general recession.

That is not the official view. The government takes the view that the troubles are confined to some sectors — to industry, and within industry, to consumer durables and textiles. The Reserve Bank refuses to hear what the figures tell, and is determined to slay the inflation dragon, which has already flown away. Bureaucracies in both places are victims of illusions; Chidambaram could not have been expected to override them singlehanded.

Neither the macroeconomy nor taxes were the focus of this Budget; most of the finance minister's speech was devoted to the money he has allocated to social programmes. These programmes have some peculiarities. They are not universal, nondiscriminatory programmes, such as one finds in the West. Most European countries give old-age pensions, free medical services and free education up to a certain age. But these programmes are perfectly nondiscriminatory. Every old man or woman, every sick person, every child is entitled; he or she needs no further qualification. All Chidambaram's programmes, on the other hand, are meant for a subsection of the class for which they are intended. Many of them are meant for scheduled caste, scheduled tribe or minority people (the Congress's euphonym for Muslims). To qualify for medical insurance under Rashtriya Swasthya Bima Yojana, a worker must work in the 'unorganised' sector, and must be below the poverty level. The BJP calls this vote bank politics. The Congress would presumably call it policy with a human face, or concern for the disadvantaged, or whatever. Words can no doubt be found to attack or defend it. But the point is that the criteria are always so chosen as to keep someone out.

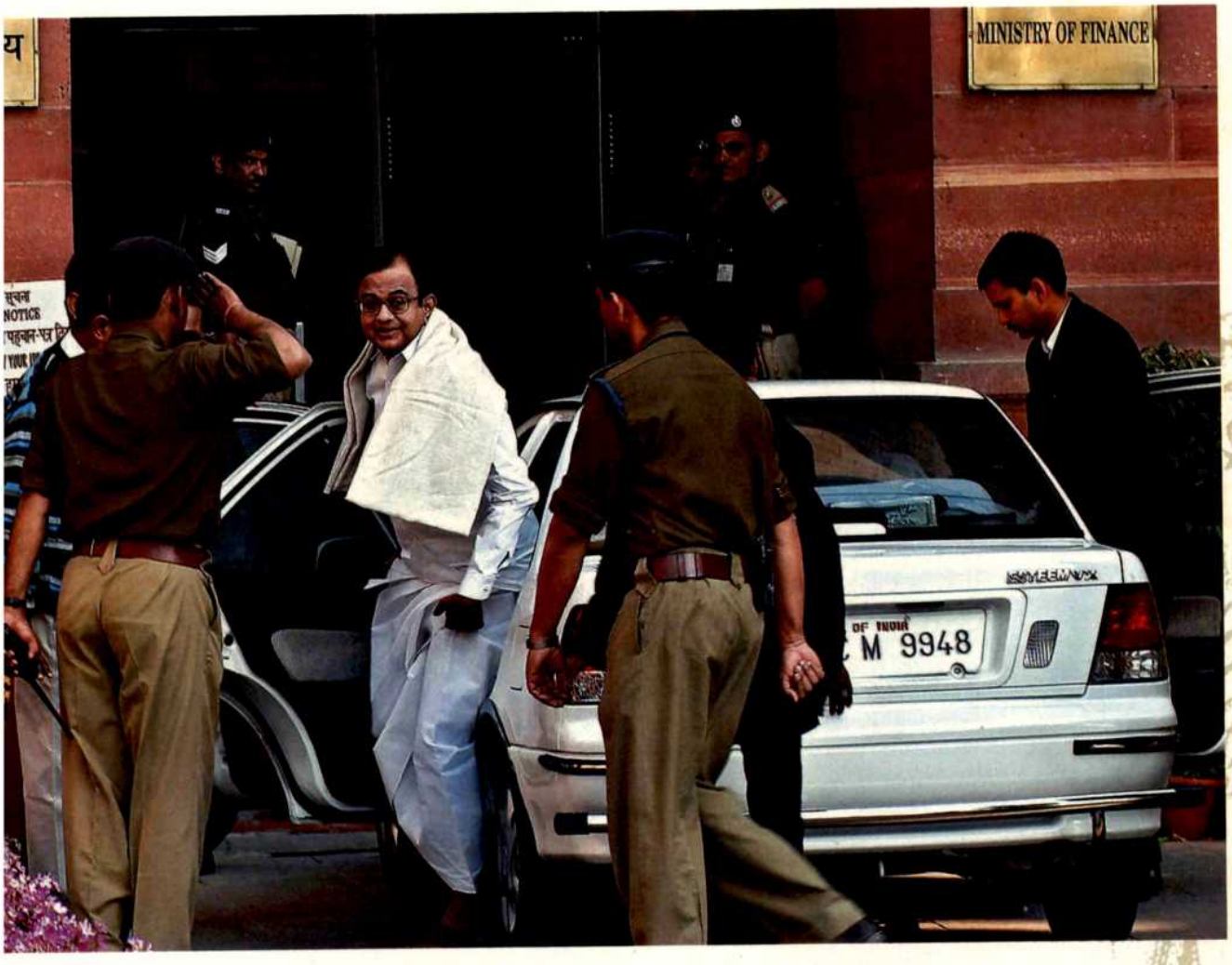
TRIBHUWAN SHARMA

If people are to be kept out of a programme, someone must perform the task of selecting the beneficiaries. The selectors are never specified; it is implied that they will be bureaucrats. They are not particularly qualified; and they are required to administer so many schemes that they must do the job imperfectly or incompletely. So even if they do their job conscientiously, they are bound to be unfair to someone or other.

There is also something unduly simple about

ET MAKING

by Ashok V. Desai



the way the costs are calculated. Rs 1,000 a month is provided for every *anganwadi* worker, and Rs 500 for her assistant. Cost of living must vary a great deal across the country; so must the availability of suitable candidates. What would happen if one set a standard wage irrespective of local conditions? In more prosperous areas, such a programme would not start off at all; in very poor areas, the bureaucrat selector would have plenty of choice and would play favourites.

The approximateness of the cost assumptions must affect the amounts budgeted. This is built into the budgetary process. The actual amounts spent on many programmes are below what was budgeted. The finance ministry could redeploy them, but seldom does. Conversely, some programmes need more than was budgeted. They can get more if the parent ministry moves the papers in time, persuades the finance minister and he asks Parliament for a supplementary grant. But it takes time; in the meanwhile, programmes are delayed or grind to a halt.

All these factors reduce the effectiveness of the government's expenditure. Chidambaram was worried about it some time ago; that is why he devised and tabled the outcome Budget last

MINISTER'S MEN: P. Chidambaram could not have been expected to override the bureaucracy singlehanded

year. But the bureaucrats in charge of implementation turned it into a farce. On many programmes, the action taken came to mean meetings held. This year, Chidambaram has not tabled the outcome Budget.

Thus, the government's way of executing social programmes is pretty imperfect; is that the only way the government can work? To find out, I looked up the Budgets of the BJP. The contrast was illuminating. There were, of course, social programmes in those times as well; there have been for decades. But the BJP finance ministers gave them few words in their speeches; clearly their attention was not on those programmes. They talked about major investment programmes, like the highway and port programmes. And those programmes were clearly substantially effective. The improved and widened highways are there for all to see; the expansion of port capacity is manifest in the statistics of ship turnaround and the tonnage handled.

Thus, the Budgets tell a story of two different approaches to government. The Congress defines certain classes of people whom it wants to help and the help it wants to give, and uses the government machinery to reach out to them and spend on them. The BJP spends on expanding the physical infrastructure and removing bottlenecks to national growth.

It is tempting to interpret this difference in ideological terms — that the BJP is rightist and that the Congress is leftist. That is how the parties themselves would like to interpret it. But it is possible not to take sides on this ideological question, and to ask instead, which achieves its objectives. The BJP's approach gave tangible results within a few years. The Congress's approach also gives results; after all, so many children have been through government schools, some have learnt something, and a few have achieved much. But the results are slow to come, difficult to monitor, and taken over 60 years, seem modest compared to the immense effort. With such a caring government for most of the time, our people should not have ended being so poor and ill-educated.

This is why, when I was in the government, we had taken the view that an indirect approach to social improvement worked better — that if we maximised the rate of growth, the purchasing power in the hands of the people would promote most of the things we wanted to promote, health, education, housing, etc. We were not entirely right; certain things, like expansion of towns and of transport capacity, do require government action. Still, India's transformation in the high growth of the past 15 years, under conditions of relatively liberal policies, is there for all to see; government non-intervention has worked. I thought then that Manmohan Singh believed this. Now, if we are to go by this government's policies, he does not. Maybe he did not believe it then either; one can never know. But even if one believed in the need to improve social conditions, we need to look for alternative approaches to that of the present government.

It is not difficult to conceive of such approaches. When the government proposed the national rural employment programme, I had suggested that it would be better to give a per capita subsidy in cash to all citizens. It would make selection unnecessary, including the arbitrariness and corruption that selection creates. Where a person is employed, he may not be given subsidy. And most rich people would not take it; it would be too paltry for them. In telecommunications, I have suggested that the government build transmission towers at its own expense in rural areas and let private operators use them free, instead of the present 'universal service obligation'. Similarly, the government should privatise electricity generation, and ensure competition in it by creating a single transmission corporation which would transport electricity at cost from any generator to any consumer. The government should give any subsidy it wants to directly to the consumer; it should credit the subsidy to that consumer's account with his power supplier. If there were need for it, I would generate more ideas about how to bring efficiency and honesty to social service delivery. And I am not the only one; many economists would jump at the idea of serving the poor. Whatever the social problem, rethinking approaches to it can achieve more with the same resources, and improve our standards of health, education and wellbeing much faster than the Congress managed in the decades of its dominance.

ashok.desai@gmail.com

The changing revenue mix

	2004-05	2008-09	2004-05	2008-09	CAGR
	Rs billion*		Per cent^		
Corporation tax	830	2,264	22	29	29
Income tax	509	1,383	13	18	28
Customs	563	1,189	15	15	21
Excise	1,007	1,379	26	18	8
Service tax	142	644	4	8	46
Other	9	18	0	0	19
Tax revenue	3,060	6,877	80	88	22
Non-tax revenue	751	958	20	12	6
Total revenue	3,811	7,835	100	100	20
Grants to states	786	1,788	21	23	23
Left to the centre	3,025	6,029	79	77	19
GDP at current prices	28,780	53,038	755	677	17

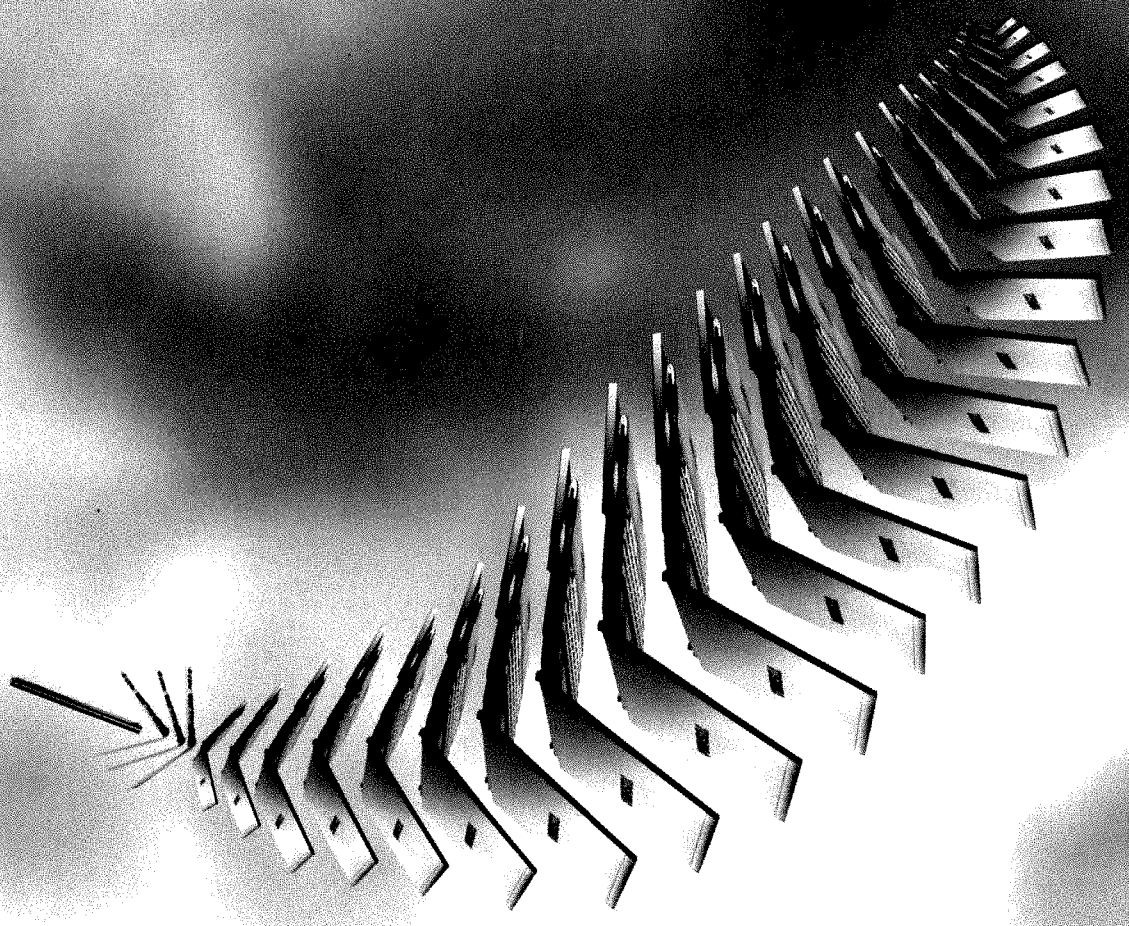
* Government revenues; ^ As share of total revenue

TOSHIBA

Leading Innovation »»

Toshiba recommends Windows Vista® Business

TOSHIBA" to 56677



Ultra-slim, Ultra-light, Ultra-loaded.

Toshiba Portégé R500

Intel® Centrino® processor technology

Leave it to Toshiba to redefine true mobility in notebook computing for the executive... yet again. The new Portégé R500 is practically a paradox in notebook engineering – fully loaded power-user features in an astonishing **19.5mm***1 super-slim, **979g***2 durable body, plus up to **12.5 hours***3 of battery performance, making it the slimmest*1 and longest*3 performing computer in its class. For on-the-go-mobility, style and extreme productivity, the Portégé R500 is as much a wonder to look at as a marvel to use.

Specifications for model no. PPR50L-031003 as of June 2007, based on Toshiba survey.
*1 Thinnest widescreen 30.7cm (12.1) notebook equipped with optical disc drive, measured at thinnest portion.
*2 Model equipped with solid state drive, optical disc drive and 6-cell battery.
*3 Longest battery life among widescreen 30.7cm (12.1) notebook under 1kg, equipped with 6-cell battery according to JEITA's measurement method Ver. 1.0.

Toshiba Mobile Computing Partner:
HCL Infosystems Ltd.

Ahmedabad: 9824651617. **Bangalore**: 9844155903. **Bhopal**: 9993077677. **Bhubaneshwar**: 9937044633. **Chandigarh**: 9316520266. **Chennai**: 9840919945. **Cochin**: 9846890909. **Coimbatore**: 9994447334. **Dehradun**: 9319056109. **Delhi**: 9871062299 or 9871094959. **Guwahati**: 9831749747. **Haryana**: 9254092597. **Hyderabad**: 9949991494. **Jaipur**: 9928332222. **Jammu**: 9419191548. **Kolkota**: 9903055793. **Lucknow**: 9415043478. **Mumbai**: 9860020687. **Pune**: 9850972129. **Raipur**: 9893151488. **UP West**: 9336620154.

intel Centrino inside

Core 2 Duo inside

beyond freedom

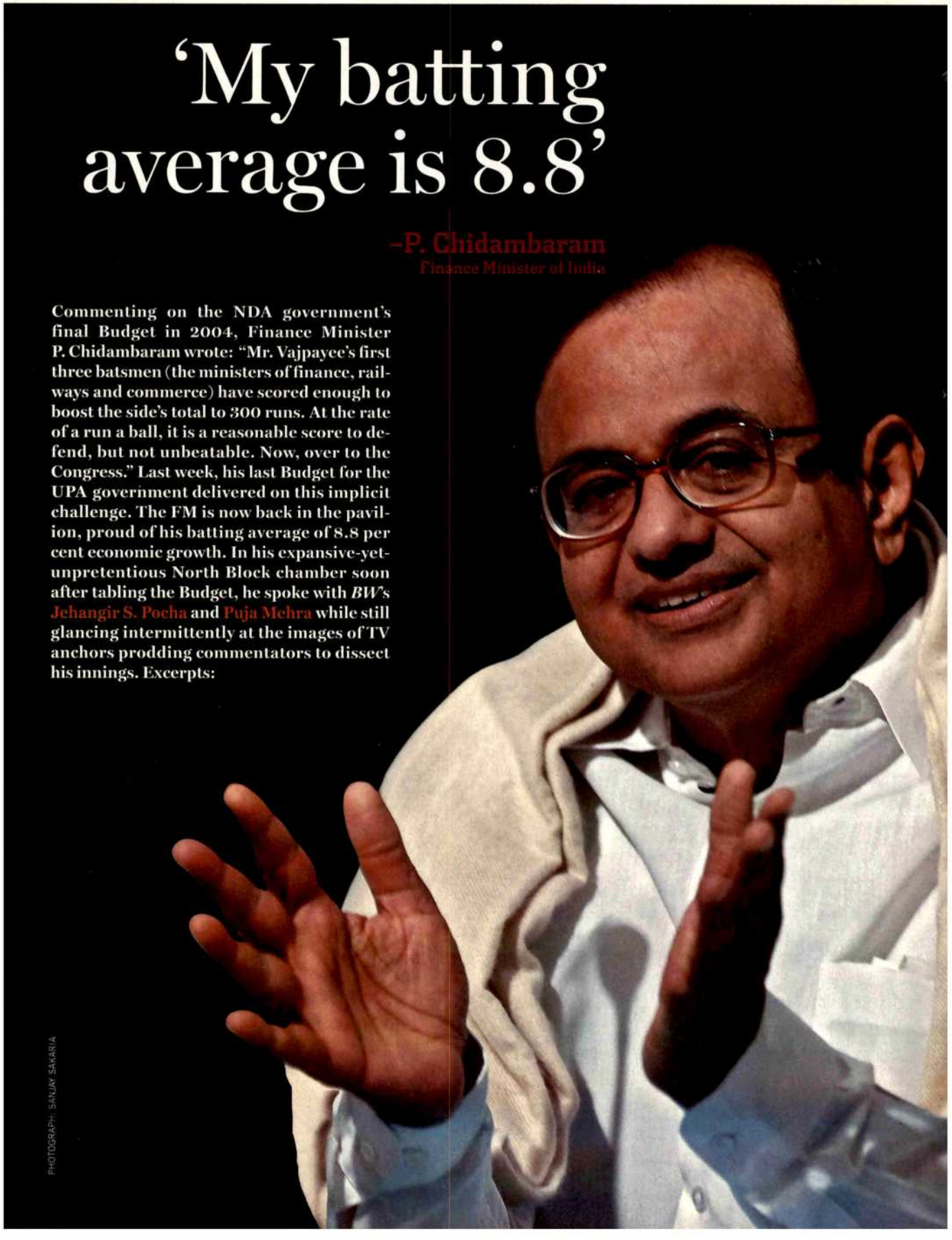
www.pc.toshiba-asia.com

© 2007 Toshiba Singapore Pte Ltd, Computer Systems Division (South and Southeast Asia Regional Headquarters). Intel, the Intel logo, Centrino, Centrino Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Microsoft and Windows Vista are either registered trademarks or trademarks of Microsoft Corporation in the United States and other countries. All other products and names mentioned are the property of their respective owners. Availability and configurations may vary by region. Battery has a 1-Year carry-in International Limited Warranty. While Toshiba has made every at the time of the press announcement to ensure the accuracy of the information provided herein, product specifications, configurations, warranty, pricing, system/component/options availability are all subject to change without prior notice. Toshiba will not be liable for editorial, pictorial, and typographical errors. For online warranty registration, please visit www.pc.toshiba-asia.com/registeronline. RCB No.197401668Z.

'My batting average is 8.8'

–P. Chidambaram
Finance Minister of India

Commenting on the NDA government's final Budget in 2004, Finance Minister P. Chidambaram wrote: "Mr. Vajpayee's first three batsmen (the ministers of finance, railways and commerce) have scored enough to boost the side's total to 300 runs. At the rate of a run a ball, it is a reasonable score to defend, but not unbeatable. Now, over to the Congress." Last week, his last Budget for the UPA government delivered on this implicit challenge. The FM is now back in the pavilion, proud of his batting average of 8.8 per cent economic growth. In his expansive-yet-unpretentious North Block chamber soon after tabling the Budget, he spoke with *BW*'s Jehangir S. Pocha and Puja Mehra while still glancing intermittently at the images of TV anchors prodding commentators to dissect his innings. Excerpts:



PHOTOGRAPH: SANJAY SAKARIA

Q: This is a good Budget. But it does not address the global fears of stagflation.

A: The first paragraphs of the speech talk about the world outlook and its impact on India. We've said its consequences aren't clear... We have not suffered first order effects except the inflows of foreign investments. But there could be second order effects.

Q: Won't cutting income tax boost inflationary tendencies?

A: Throughout the year you write about the flagging growth rate, falling demand for consumer goods, and the day we take some fiscal steps to stimulate demand, you say this is inflationary. The point is, the growth story must be kept intact because it creates jobs, which creates income, which throws up revenue. In India, inflation is mainly from food prices. So the crucial task is managing the supply side of food articles. I am sure that the government will rise to the challenge.

Q: Import duties could also have been reduced further to help inflation.

A: That's not correct, imported goods are cheaper by 9.8 per cent, thanks to the (appreciating) rupee. So we had an effective protection of 10 per cent, today the effective protection is only 9 per cent....Indian industry does require some protection at this stage.

Q: Will health and education spending reach the target of 5 per cent of GDP?

A: The GDP is growing at 8 per cent plus. The allocation to health is growing at 15 per cent and to education at 20 per cent. One day we will achieve the targets. We are moving towards them every year.

Q: Will banks be reimbursed by you for the debt waiver for farmers?

A: We have proclaimed we are for the farmer and, therefore, we have consciously taken a decision to write off the debts. This is money that has gone out of the banks. Some of the debts may already have been defaulted. Some may be overdue. This money would not have come back to the banks. All we have to do is provide liquidity to banks and we will provide it over three years.

Q: Very poor farmers don't take bank loans but rely on money-lenders...

A: Nobody said to me that you must address the issue of non-institutional indebtedness. They spoke about institutional indebtedness. There is no way to calculate who is indebted to whom on the non-institutional side.

Q: Money-lenders could borrow from banks, get waivers and lend the money.

A: We are writing off loans of only marginal farmers who hold up to 1-2 hectares. You are welcome to produce evidence of such arbitrage....There was a universal demand for favour. We are elected by the people. We have to respond to the demands of the people.

Q: More so in an election year...

A: You are introducing the word election. In India every year is an election year.

Q: Will the finance ministry monitor projects for corruption, leakage....?

A: We are putting in place a central scheme, monitoring systems, asking ministries to do concurrent evaluation, and we have also authorised the Planning Commission to do external evaluations.

Q: Funds are still not conditional on good implementation.

A: We are not a World Bank to make funds conditional. We are a federal system. In the federal system, the Central government and the state government must work on mutual trust. We are not the banker to the state government.

Q: Would transferring schemes to the state government help?

A: We have offered to transfer several schemes, but they are not willing to take them. They want us to run the schemes because they think that this is the best way.

Q: The Budget seems to have an unrealistic stature in India and...

A: It is entirely up to you but I have to go by the Constitution. Don't give it (the Budget) importance. Don't publish this interview. I am very happy if you don't publish this interview. One interview less...

Q: What is it in this Budget are you proudest of?

A: I am proudest of the fact the growth story is intact. I wanted all five years to have high growth. For four years we maintained an average of 8.8 per cent. I can maintain that average in the fifth year too. That means that my batting average is 8.8.

j.pocha@abp.in; puja.mehra@abp.in

A Game of Numbers

by P. Vaidyanathan Iyer

ABP

ON THE GROUND: Small farmers may not have borrowed much from banks

WHAT FINANCE MINISTER P. CHIDAMBARAM achieved in the 2008-09 Budget appears to be nothing short of magic. He laid out huge spending programmes while seeming to keep a tight leash on the fiscal position. Unfortunately for the FM, numbers don't lie. And magic, one realises at the end, is all about illusion and sleight of hand.

A quick read of the 18-page 'Budget at a glance' can deceive amateurs by giving a picture of Chidambaram showing remarkable commitment to the Fiscal Responsibility and Budget Management Act — one that he notified within a few days of assuming office, though it was introduced and passed by the previous BJP-led NDA government. For the current fiscal, 2007-08, he hopes to better his own fiscal deficit estimate of 3.3 per cent of the GDP. In the revised estimate, he has pegged it at 3.1 per cent of the GDP. Similarly, he expects the revenue deficit to be just 1.4 per cent of the GDP, against the Budget estimate of 1.5 per cent.

This is very clever budgeting a year ahead of elections

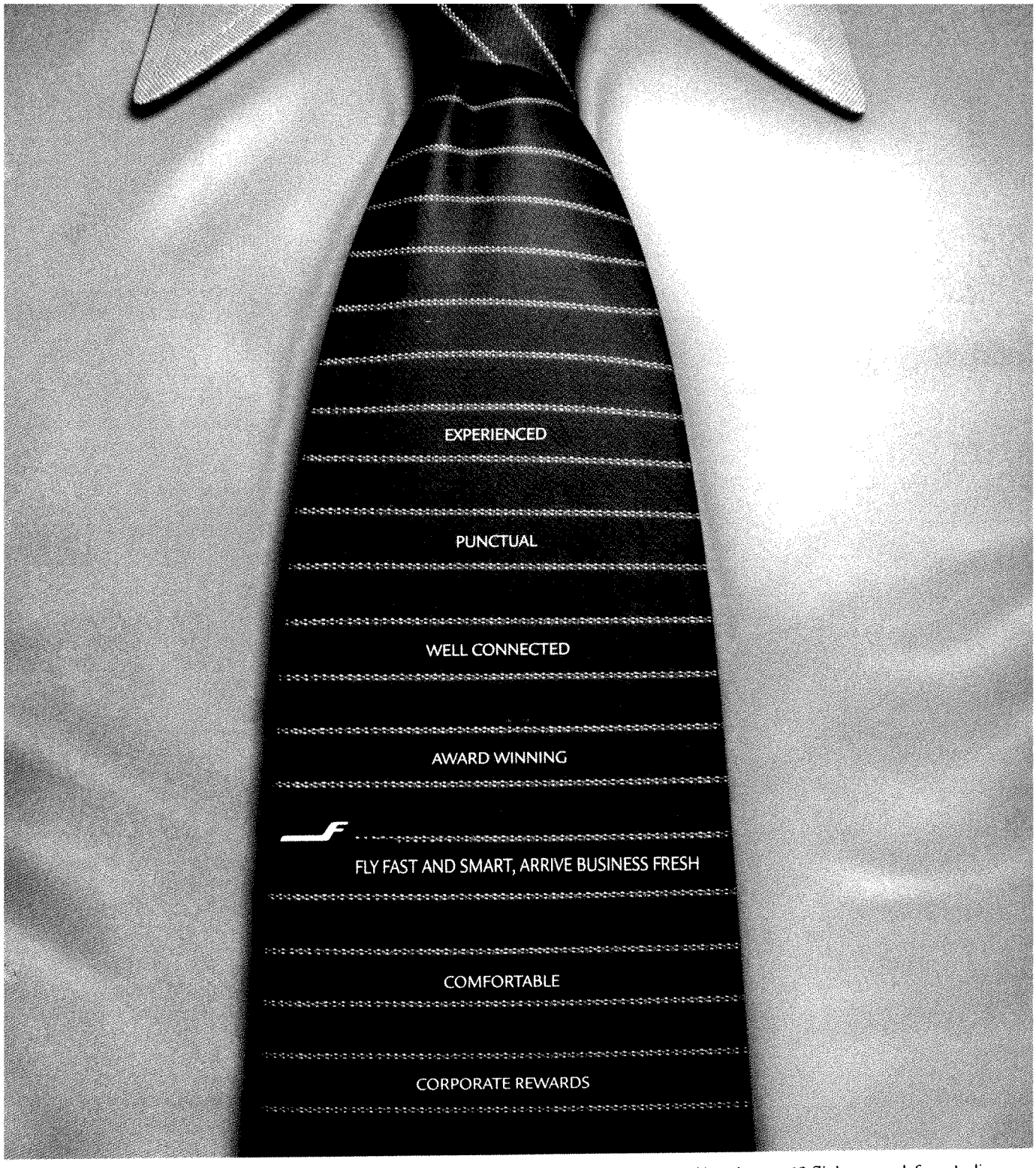
For the next fiscal, he is amazingly ambitious. He estimates the fiscal deficit to drop to 2.5 per cent of the GDP, a cut of 0.6 per cent, and the revenue deficit to be at 1 per cent of GDP. He, in fact, said, "Not only will I achieve the target for fiscal deficit under the FRBM Act, I have also left for myself some headroom."

How can a finance minister — who promises to waive Rs 60,000 crore in agricultural loans, extends tax breaks to individuals and companies, talks of bringing below-the-line items such as fertiliser and oil subsidies totalling Rs 18,757 crore inside the Budget and allocates higher funds for every other social developmental plan — achieve such a feat? Clearly, this is very clever budgeting a year ahead of elections, camouflaged further with announcements of tax cuts for salary earners and companies. By the end of the day, nobody was quite unhappy, not even many economists, who believed in his deficit numbers.

The audience was mesmerised. Sunil Mittal, chairman of Bharti Group and president of the Confederation of Indian Industry, said, "The beneficiaries of the Budget vary from farmers to industry to the average salary earner. And all this without making the Budget fiscally irresponsible." His magic worked.

But hold on. Tucked away in a small para on revisiting the roadmap for fiscal adjustment, The FM acknowledges that "significant liabilities of the government on account of oil, food and fertiliser bonds are currently below the line". Oil and fertiliser subsidies alone add up 1.5 per cent of the GDP to the fiscal deficit. Were these to be provided for in the Budget, India's fiscal deficit would jump to 4 per cent of the GDP or, in absolute numbers, to Rs 2,12,044 crore. Here, we are not even talking about the impact of the Sixth Pay Commission, which after the Budget, will presumably be generous. In all, off-Budget items (oil bonds, food bonds, farm loan waivers, fertiliser subsidy and Sixth Pay Commission awards) add 2.13 per cent of the GDP to the fiscal deficit, taking the gross deficit of the Centre to 4.63 per cent of the GDP.

The FM could have actually taken advantage of the upswing in tax collections to restore global trust in India's Budget accounting system. Says Ajay Shah, an independent scholar and former consultant in the finance ministry, "We failed to harness the great business cycle upturn of the recent years to do the fiscal consolidation in these good times. And we did this in the worst possible way: by setting up a new level of mistrust of Indian public finance data." Besides this, what generally goes unnoticed is the cost of such off-Budget items. The government has to fork out substantial sums as interest on the special bonds issued to oil marketing firms and the Food Corporation of India, and under the market stabilisation scheme. In 2008-09, the Budget documents reveal that the government will have to fork out Rs 20,797 crore as interest for all such bond issuances.



Finnair's commitment to India gets stronger. The world's 5th oldest airline gears up to extend its wings to 13 flights a week from India to 50+ destinations in Europe* via Helsinki. The Helsinki airport is rated amongst the best in Europe. Award-winning wine cellar and cuisine, including Indian meals, lie-flat seats and in-flight entertainment make Finnair undoubtedly one of the world's finest airlines.

oneworld

*Including Amsterdam, Barcelona, Berlin, Brussels, Budapest, Copenhagen, Düsseldorf, Frankfurt, Geneva, Gothenburg, Hamburg, Helsinki, Kiev, London, Madrid, Manchester, Milan, Moscow, Münich, Oslo, Paris, Prague, Riga, Rome, Stockholm, St. Petersburg, Tallinn, Vienna, Vilnius, Warsaw, Zürich... Also to New York.

www.viahelsinki.com

FINNAIR
YOUR AIRLINE TO EUROPE

Call Delhi : +91-11-43699200; Mumbai : +91-22-40524300 to 06 or Email: contact.in@finnair.com or visit www.finnair.com/in

Daily flights from Delhi & 5x weekly from Mumbai (6x weekly from Mumbai, including weekends, starting from June '08.)

Ideas-Finnair-prod-08

fiscal implications

Expenses between the lines

Not budgeted	Amount in Rs crore	as % of GDP
Debt waiver	60,000	1.12
Oil bonds	11,257	0.21
Fertiliser subsidy	7,500	0.14
Food subsidy	10,000	0.19
Sixth Pay Commission #	25,000	0.47
Total	1,13,757	2.13
Fiscal deficit budgeted	1,33,287	2.5
Gross fiscal deficit	2,47,044	4.63

Conservative estimate of cash outgo due to increased salaries and pension for existing and retired govt employees

Fiscal Turnaround

Let's now take a quick look at the fiscal turnaround that has been achieved in the past four years. The fiscal deficit has been cut from 4.5 per cent at the end of 2003-04 to 3.1 per cent this year, in line with the FRBM targets. The revenue deficit too has been pruned to 1.4 per cent this year from 3.6 per cent in 2003-04. In the past four years, tax receipts have registered a compounded annual growth rate (CAGR) of 18.77 per cent. The total expenditure has registered a CAGR of 10.76 per cent. The tax-to-GDP ratio has risen from 9.4 per cent to 12.5 per cent in the past four years, according to the revised estimates for the current fiscal. A finance ministry official agrees that almost 80 per cent of the credit for prudent fiscal management goes to buoyancy in revenues due to a growing economy, with companies recording bumper profits, increased tax compliance and also better tax administration. While the balance 20 per cent credit can be attributed to expenditure compression, concerns persist over the quality of spend, especially in social welfare schemes.

The biggest expenditure item during the next two years is the Rs 60,000-crore debt waiver he has promised farmers. Sharad Joshi of Shetkari Sanghatan, a prominent farmer organisation, says, "This was necessary, but I am not sure if small and marginal farmers have borrowed so much from banks." The waiver may be a political necessity, and not bad. But in doing so, the government is saying that a farmer will not be treated as a defaulter, and the door for credit will always be open for him.

The FM has promised that this will be done before June-end this year. There are three options before him. Option No. 1 is straightforward. In his first supplementary demand for grants, the FM can seek parliament's approval for an additional cash outgo. The banking division obviously does not want banks to take a hit. So, it would seek about Rs 25,000 crore as the first tranche in April when banks will begin to lend afresh to farmers.

Option No. 2 is to provide liquidity through some monetary measure. Banks can be issued SLR (statutory liquidity ratio) bonds to clean up their agri balance sheet; a bank chairman said on the condition of anonymity that there were indications to this effect from the Reserve Bank of India. This will essentially be a cash-neutral exercise and may not reflect in the Budget.

Option No. 3 is to inject equity, again which will not involve any cash outgo. "The minister may choose to issue bonds to banks that could be treated as tier-II capital," says Pronab Sen, government's chief statistician. "This will allow banks to shore up their capital, at least to the extent they have been impacted by the write-off."

When the FM was asked time and again in his post-Budget press conference how he would compensate the banks, he said, "Trust my intelligence. We will work out a scheme and tell you." The worst-case scenario, of course, is a cash outgo of Rs 60,000 crore from the Budget over the next two years.

The FM has also conveniently, but not surprisingly, postponed bringing off-Budget items such as fertiliser and oil subsidies as main Budget expenditure items, to the future. "After the obligations on account of the Sixth Central Pay Commission become clear, I intend to request the 13th Finance Commission to revisit the roadmap for fiscal adjustment and suggest a suitably revised roadmap," he said.

Says Sen, "As a system, India is moving towards accrual budgeting." So, this announcement did not spring a surprise. Yes, the FM could have used the excess receipts of Rs 38,676 crore (over the Budget estimate) to bring at least the smallest of these subsidised items in this year's Budget. He chose not to. Doing this in the current fiscal or even in 2008-09 would have meant making significantly higher provisions in the expenditure budget. Why should he do it, when traditionally it has never been done?

Overall in this year's Budget, he is ceding Rs 5,900 crore in revenues due to cuts in indirect taxes. His direct tax proposals are revenue-neutral. He expects the robust economy to fetch him about 17.5 per cent more taxes and his expenditure is growing by less than 6 per cent.

The FM admits he is lucky, though in a lighter vein. He is clever, too. "He has not really given away much upfront this year, but has promised a lot in the next Budget," says an official in the expenditure department of the finance ministry. You may want to believe his promises and vote him back.

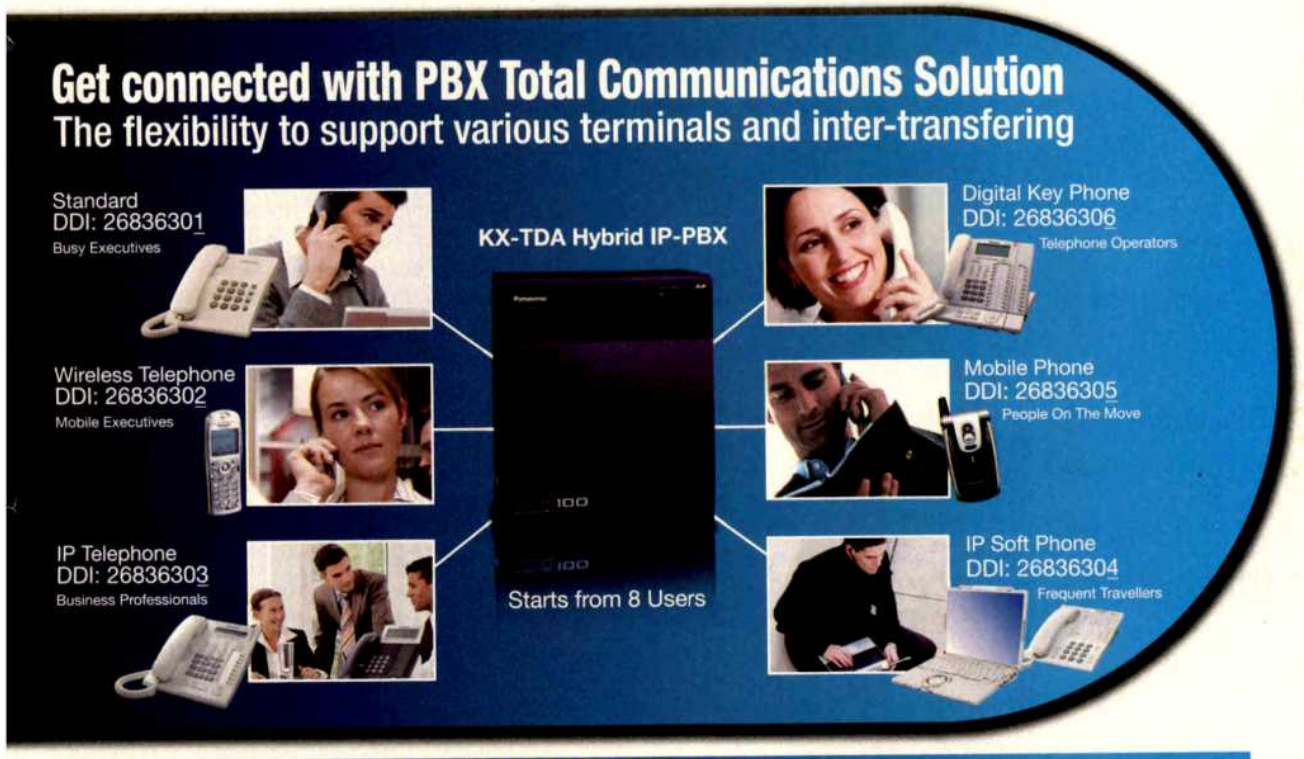
pv.iyer@abp.in

Panasonic
ideas for life

The Systems professional

Get connected with PBX Total Communications Solution

The flexibility to support various terminals and inter-transfering



The platform for feature-rich applications

Integration of IP technology with traditional telecommunications offer endless possibilities for your business communication needs.

IP Softphone

Enjoy features like user-friendly display which makes handling calls and performing other tasks a breeze.

Mobile Phone Integration

Experience greater mobility and connectivity wherever you are.

Messaging Solutions

Comes with Panasonic Voice Processing Systems that allow you to send and retrieve messages 24 hours a day.

Report Server

Deliver customer satisfaction with features like System Report that creates reports according to the user's need.

Phone Assistant

Applications such as software support helps you monitor and report all company telephony communications.

Wireless Connectivity

Receive calls even when you are away from your desk (within office premise).

Panasonic ideas for life

Panasonic Asia Pacific Pte Ltd.
India Branch Office

Delhi: 615, E-Block, International Trade Tower, Nehru Place, New Delhi - 110 019. E-mail: a.madan@npi.panasonic.co.in, Tel.: 011-41608081/2/3/4
Mumbai: 708/709, Palm Spring, 7th Floor, Above Croma, New Link Road, Malad (W), Mumbai - 400 064, E-mail: a.dhole@npi.panasonic.co.in, Tel.: 022-40331621/3/4
Website: www.panasonic.com.sg/pbx

PBXBW

No Signs Of Relief

by Team *BW*

Corporate India is unsure about the overall impact of the Budget

FOR INDIA INC., UNION BUDGET 2008-09 WAS LIKE a curate's egg: good in some parts, bad in others. Reactions to the Budget range across a spectrum: from disappointment, through a neutral 'what else can you expect in an election-year Budget', to cautious optimism in certain quarters. Even as corporate executives acknowledged that no change in tax rates was a relief, many had hoped for some form of stimulus. "There is nothing wrong with focusing on inclusion," says Siddhartha Roy, economic advisor to the Tata Group. "But if we forget about growth, it can be a problem."

Others were more forgiving. "It is a finely balanced act by the finance minister, given the political compulsions," says J. Mehra, CEO of Essar Steel Holdings. "The government's continued commitment to ensuring double-digit manufacturing growth by continuing the reform process is reassuring, especially for an infrastructure industry, such as steel."

Information technology (IT) businesses are enthused as the Budget opens up potential in domestic markets based on the focus on education and health. "We are excited that the Budget is focusing on building the social infrastructure by increasing broadband connectivity and strengthening the education system across India," says R. Sivakumar, managing director, sales and marketing for South Asia at Intel, the chip manufacturer. "These steps are a step forward in transforming India into a knowledge society." Add to that the thrust on e-governance, broadband penetration into the smaller cities and the hinterland, and the scale of the domestic IT market looks very appetising.

But Finance Minister P. Chidambaram's numbers told a slightly different story: the Budget estimates for all taxes shows a decline in the growth rate of target collections (see 'Tax Collection Forecast For FY09'). In short: a slowdown is anticipated. Hence, there was hope that some form of corporate tax cuts would be introduced, providing the growth stimulus that India Inc. needed. Instead, the finance minister chose to address that differently.

Staying Invested

For the past few months, there has been much talk about investment-led economic growth, mostly after interest rates went high enough to slow down consumption. In this Budget, the finance minister has tweaked a few customs duties, and rationalised excise duties in others to keep the investment cycle chugging along.

Lower customs duties will perhaps boost capital goods imports, which were already growing, and are a good indicator of investment demand. Besides, all that capital raised in the 2007-08, either through equity or through debt, will have to be deployed. Real estate, which was largely ignored this time, still accounts for a significant amount of the capital raised from the markets.

Lower excise duties will also help. "The cut in excise duty from 16 per cent to 14 per cent will help reduce product costs marginally," says Pranay Dhabhai, chief operating officer of Haier Appliances (India). "In the past few months, input raw material costs have gone up about 10 per cent. This excise duty cut will re-

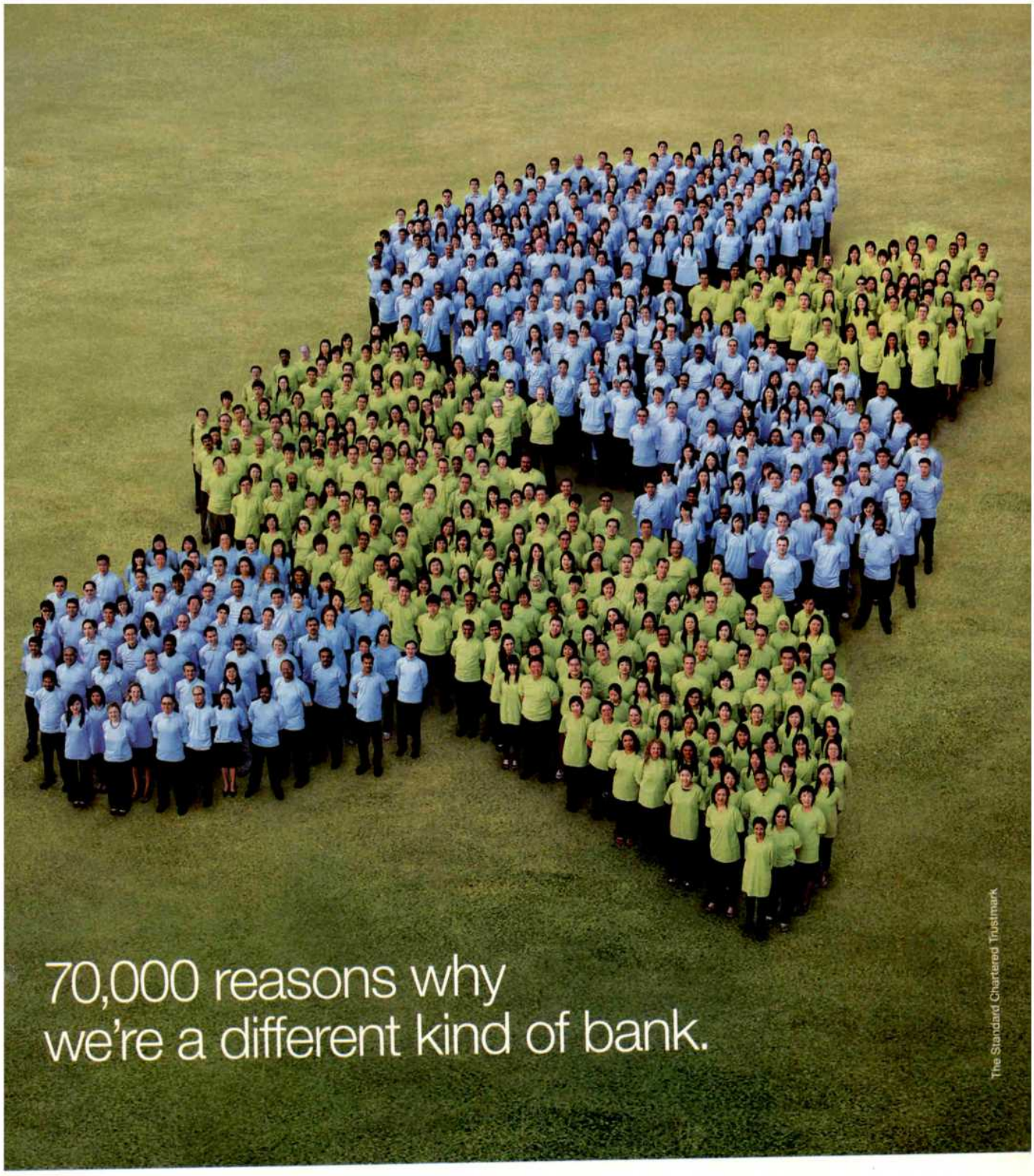
NOT FOR EVERYONE: Middle-class families will benefit but rural families may not

TRIBHUWAN SHARMA

Tax Collection Forecast — FY09

Item	2007-08 (RE) % growth	2008-09 (BE) % growth	2008-09 (BE) Rs Crore
GROSS TAX REVENUE	25.1	17.5	687,715
DIRECT TAX	32.9	19.8	364,675
CORPORATE TAX	27.1	21.6	226,361
INCOME TAX	43.4	16.9	138,314
INDIRECT TAX	17.7	15.0	321,264
CUSTOMS TAX	23.2	18.0	118,930
EXCISE TAX	9.1	7.8	137,874
SERVICE TAX	32.6	27.4	64,460
OTHER TAX	2.7	7.7	1,776

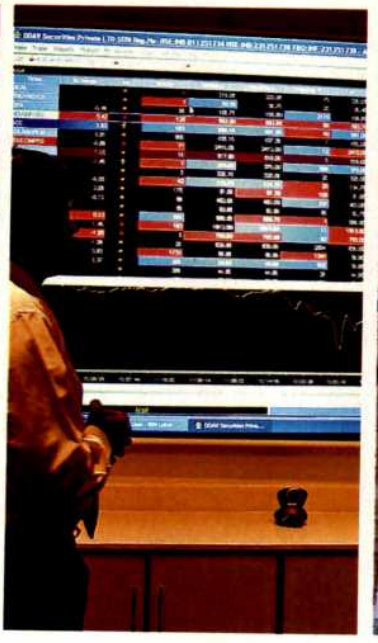
RE: Revised Estimates; BE: Budget Estimates; Source: GOI Budget documents

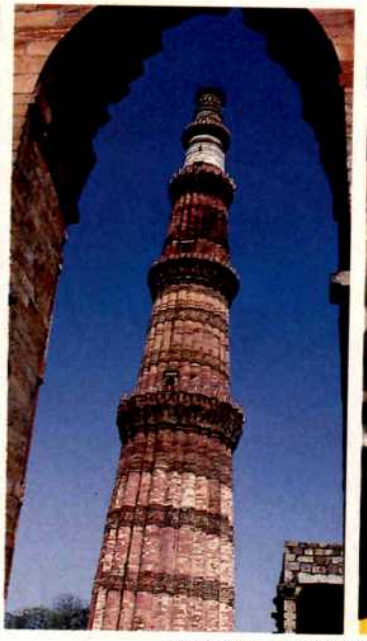


For over 150 years, Standard Chartered Bank has made a real difference to the lives of millions of customers and communities worldwide. Through personal and business partnerships that span generations in Asia, Africa and the Middle East. Through HIV/AIDS education and helping to fight curable blindness. By supporting marathons in nine major cities. And more. After all, a bank doesn't only have to provide financial services. It can lead. It can inspire. It can be a trusted partner in both good and uncertain times. Our 70,000 employees from 100 nationalities believe it – partnerships change lives.

Standard Chartered

www.standardchartered.com/in





PHOTOGRAPHS: HEMANT MISHRA, SANJIT KUNDU, ABP AND BLOOMBERG

CASTING THE NET: Persons running games of chance, money changers, tour operators using contract carriage vehicles and customised software have been brought are liable to service tax

duce planned price increases marginally." And perhaps the customer will derive some benefit.

Consumption As A Driver?

The largesse in tax cuts for the salaried and middle class, while seen as blessings for the common man, will nevertheless drive consumption as disposable incomes get larger from tax savings. In particular, there are expectations that the consumer durables industry will benefit, having seen its growth rate — and consequently that of the index of industrial production — decline over the past three quarters.

But Moon B. Shin, managing director of LG Electronics India, was lukewarm in his assessment. "We welcome the relaxation in excise duty," he says. "But as a manufacturer exposed to competition from other Association of South East Asian Nations (Asean) countries, some relief on raw materials and intermediate goods would have made us globally competitive."

Other representatives of the consumer durables industry were also not particularly enthusiastic. R. Zutshi, deputy managing director at Samsung India, points out that the Budget has not met the demands of the consumer electronics industry. "Our demand for the government to support manufacturing of consumer electronics by reducing import duties on raw materials was not met," he says. "Nor have anomalies in the duty structure been addressed. So prices are not likely to fall."

But the farm loan waiver is seen as positive as it could raise consumption in rural areas. However, no one is clear how that waiver will be implemented. In theory, fresh loans will result in their buying inputs for the next sowing season, and perhaps a little consumption.

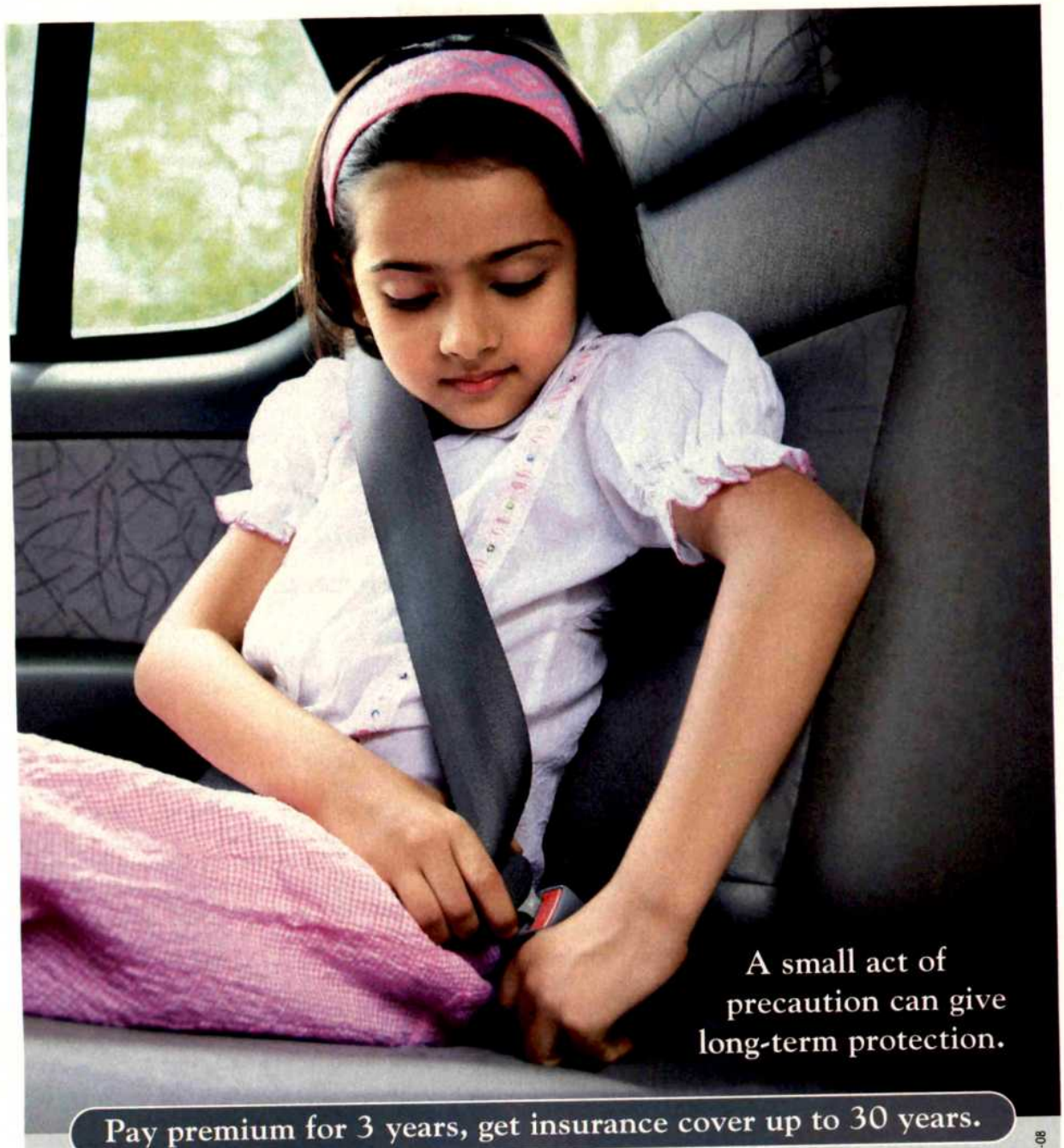
Others also see the disposable income finding its way into savings rather than consumption. "Keeping in view the savings habits of Indian households, some of this money may flow into savings, especially long-term wealth creation instruments such as life insurance," says Gary Maxwell, managing director and CEO of Max New York Life Insurance.

Seeds Of Disappointment

But more than anything else, there is disappointment that corporate tax rates were not reduced despite solid tax collection performance. No one disagrees with the finance minister about the agricultural loan waiver, which is becoming the most talked about item of this budget. They just wish that it had been focused on investment in agriculture, rather than what is in effect a cash giveaway.

Ranjit Shahani, president of the Bombay Chamber of Commerce and Industry, welcomes the indirect tax pronouncements: the reduction of excise duty, rationalisation of customs duty, and lowering the central sales tax as a step in the movement to a unified goods and services tax. "The Budget was disappointing on the direct tax front, with no specific measures for corporate growth," he says. "There were no policy pronouncements on infrastructure either."

It will be a while before the impact of this Budget is really felt on corporate India. The first quarter results at the end of June 2008 will be the first indication. Till then, keep the faith in Mr. Chidambaram.



Pay premium for 3 years, get insurance cover up to 30 years.

LIC's JEEVAN AMRIT

Table No. 186

- Premium Payment is limited: 3, 4 or 5 years
- Policy Term: 10 to 30 years
- Minimum Entry Age: 12 years
- Maximum Entry Age: 60 years
- Death Benefit: Sum Assured plus Bonus
- Maturity Benefit: Payment of Total Premiums plus Bonus

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

LIC No. 2R/Eng/2007-08

For more details on risk factors, terms & conditions please read sales brochure carefully before concluding a sale.

Please contact your nearest LIC branch or Agent/Development Officer or SMS 'AMRIT <CITY NAME>' to 6677.

Insurance is the subject matter of solicitation.

Please visit us at: www.licindia.in

Ritual Fiddling

by Rajesh Gajra

TRIBHUWAN SHARMA

NEW LOAD: Trades in commodity derivatives are now under the transaction tax regime

The Budget affects some market players but not investors

NOT ALL STOCKMARKET INVESTORS AND PROFESsionals believe that they should be given special concessions in the country's annual Budget exercise. But they do want consistency in the taxation policies and rationale applied to the market's operations.

The latest tinkering in this year's Budget has highlighted a lack of consistency yet again. To begin with, tax on short-term capital gains (STCG, or profits booked on shares held for less than a year) has been increased from 10 per cent to 15 per cent because the finance minister thought it should be equated with dividend distribution tax that is charged at 15 per cent to companies. Chidambaram's target is clearly the day traders, who earn their living trading but are not taxed on income.

Why did he not realise this before? "The long-term capital gains is still zero, so really an STCG hike to 15 per cent has only a sentimental value for investors who invest based on medium-to long-term fundamentals of a company," says Motilal Oswal, chairman of Motilal Oswal Financial. Retail investors seem to agree. "It won't bother me because I am not in a pressure to book profits — if any — on my investments in less than a year," says Alpesh Shah, a retail investor in his early-thirties.

Besides, if the coming year continues to be as subdued as it has been till now, how many investors would have much of profits to book in the short term anyway? "How much more money can the government get through a higher STCG tax?" asks Asit Koticha, chairman of ASK Investment Holding.

It also took long to remove an incongruity in the way the securities transaction tax (STT) was being applied on derivatives trades in the equity market. From October 2004 till now, investors and traders in futures and options trading on the NSE and BSE have paid STT (revised to 0.017 per cent from June 2006) on the transaction value of their trades.

In options contracts, however, in reality, the buyer does not have to pay the entire transaction value. He pays only the premium price that is market determined and that could be up to 10-15 per cent of the strike price. The seller receives this. Only if options are exercised by the buyer, the difference between the strike price of the contract and the market price of underlying security has to be paid by the seller to the buyer.

The finance ministry has recognised these nuances and now made the STT of 0.017 per cent payable by the options seller on the premium amount. Also, the options buyer will pay a higher STT rate of 0.125 per cent and on the settlement price. A reduction in cost for options sellers would perhaps help improve liquidity in options trades. "But for options-based volatility strategies that work on wafer-thin margins and that require exercise of options, the cost will go up for the buyer due to the STT on exercise," says Gurudatta Dhanokar, head strategist in derivatives at Almondz Global Securities.

But the biggest impact comes from the disallowance of STT as a tax rebate from tax liability of day traders and allowing it only as business expenditure. "If a day trader was making Rs 15 lakh in a year after paying Rs 5 lakh STT during the year, then his tax liability of 30 per cent, Rs 4.5 lakh, on his income would get offset by the STT paid," says Deepak Sampat, partner in S.G. Securities. "Now, he would have to deduct STT paid (Rs 5 lakh) from income (Rs 15 lakh) and pay a 30 per cent income tax (Rs 3 lakh)."

Such an impact now also befalls the traders in the commodity derivatives exchanges as trades in these exchanges have been bought under the transaction tax regime at the same rates that STT charges for trades in the equity market.

So what has the Budget done to the markets? "This Budget's proposals on equity markets have an impact on participants but not on the market trend," says Koticha. That says it all.

rajesh.gajra@abp.in

Web 18

LIC moneycontrol.com
BUDGET
The Growth Story
08

This budget switch to MC - *fastest, deepest & most accurate.*

Moneycontrol.com brings you unmatched real-time updates and analysis of Budget '08. Benefit from our tools like Portfolio, track your net worth as the market moves up or down, keep a sharp eye on your watchlist and understand the impact of the FM's speech on the market and your stocks. 1.7 crore unique users* have benefitted from Moneycontrol in the last 6 months. Have you?

SMS Budget to 52622 for Budget updates or dial 5052622 and 1255526 (BSNL) and say "budget" to hear experts and be heard.

*Source: Google Analytics

moneycontrol.com MC
INDIA'S NO.1 FINANCIAL PORTAL

LIC भारतीय जीवन बीमा निगम LIFE INSURANCE CORPORATION OF INDIA
MAX New York Life Your Partner for Life
HDFC BANK We understand your world
travelguru India's Largest Hotel Network
MF Global
18
Microsoft
vodafone
GAURS Commitment Absolute
Canon Delighting You Always
Simply DECCAN
Profit
JET AIRWAYS

Middle Class Bonanza

by Sumati Nagrath

The Indian middle class is clearly happy with the Budget

COME 1 APRIL THIS YEAR AND IT WON'T BE JUST April Fool pranks that will put you in good humour. Finance Minister P. Chidambaram has ensured that you will have plenty of other reasons to smile. In a Budget that is generally being seen as pro poor and aimed primarily at the majority of the country's population that lives in rural India, the minister has not overlooked the millions who live and work in various cities and towns. In his 2008-09 Budget, Chidambaram has also introduced several measures to benefit the salaried middle class metropolitan India.

The substantial cuts in direct taxes and excise duties — introduced as part of his overall scheme to provide growth stimulus by increasing spending — mean that benefits in almost every aspect of life will accrue to you, the average urban middle-class citizen, right from the moment you wake up until you go to bed.

Gearing Up

For starters, take your breakfast. It would seem that the finance minister has taken note of the rapidly changing eating habits of urban Indians — from the traditional hearty breakfast of *aloo puris, paranthas, idlis* and *poha* to seemingly healthier and time-saving bowls of cereal and milk. Chidambaram has halved the excise duty, to 8 per cent, on various breakfast cereals such as corn flakes and muesli. He has also exempted tea and coffee pre-mixes, packaged tender coconut water, puffed rice, and milk containing edible nuts (like *badam* milk) from the 16 per cent excise duty.

And it's not just your food that will be cheaper. Proposed excise duty cuts for the automotive industry mean that you could soon be driving to work in cheaper cars and two-wheelers. Chidambaram has cut the excise duty on small cars as well as two-wheelers from 16 per cent to 12 per cent. Many leading car manufacturers, such as Hyundai Motors and Maruti Udyog, have already announced cuts in the price of their small cars. "I'm glad to see the reduction in the price of small cars, even if it is not as substantial as I would have liked it to be," says Vishal Sabharwal, an HR executive with Hewitt Associates in Gurgaon. "I will now seriously think about trading in my bike for a small car."

But while cars will be slightly cheaper, your mobile phones will cost a shade more. The government has proposed a 1 per cent excise duty on the handsets, so there is a chance that you won't be upgrading your handset with quite the same frequency as before.

Other Budget proposals that will benefit you directly are the duty reduction in live-saving drugs from 10 per cent to 5 per cent, the marginally lower excise duty on refrigeration equipment and the halving of the excise duty on water purifiers. And lest you shirk work while at home, the government has also reduced the duties on wireless data cards for your laptops.

Hard Day's Work

While cheaper cars and cereals might be pleasant enough, the major benefits for the salaried middle class come in the form of tax exemptions. So there is some cheer for you even if your salary is not going up, or at least not at the rate at which you would like it to. According to the changes proposed by Chidambaram, the income tax exemption limit will be raised to Rs 1.50 lakh, up Rs 40,000 from last year's limit. This, say analysts, means a person earning Rs 5 lakh per year could save Rs 39,000 annually. While presenting his Budget, the FM said that minimum benefit to a person with an annual income of Rs 1.5 lakh will be around Rs 4,000.

But if you are a woman or someone who continues to work well past their official retirement age, the news is even better. For the Budget proposes that the exemption limit for women be raised to Rs 1.8 lakh from Rs 1.45 lakh previ-

SAVE OR SPLURGE: Many plan to offer this 'surplus' cash at the altar of shopping malls

SANJAY SAKARIA

ously, and that for senior citizens be raised from Rs 1.95 lakh to Rs 2.25 lakh.

Even the slab rates have been revised in the new Budget. Income between Rs 1.5 lakh and Rs 3 lakh will be taxed at 10 per cent, between Rs 3 lakh and Rs 5 lakh at 20 per cent, while for Rs 5 lakh-10 lakh it would be 30 per cent. However, those with an annual income in excess of Rs 10 lakh will continue to attract an additional surcharge of 10 per cent. This revised structure means that as a male assessee earning Rs 10 lakh a year, you would have to pay a tax of Rs 2,05,000, as against Rs 2,49,000, but if you are a woman assessee, you would pay a tax of Rs 2,02,000 instead of Rs 2,45,500 for the same income, and as a senior citizen Rs 1,97,500 instead of the previous Rs 2,36,000. According to the finance ministry, the new proposals mean that over 8.5 million people or 25 per cent of the existing tax payers will be taken out of the tax net, while 6.5 million people will fall into the Rs 1.5 lakh to Rs 3 lakh category and over 2.5 million people in the over Rs 3 lakh category.

Chidambaram's bag of goodies also includes an additional deduction of Rs 15,000 for taxpayers towards payment of medical insurance for parents under section 80D of the Income Tax Act. This is in addition to the Rs 1 lakh limit for savings already in place. Also, senior citizens saving scheme 2004 and the post office term deposit account have been added to the basket of savings instruments eligible for income tax deduction under section 80C.

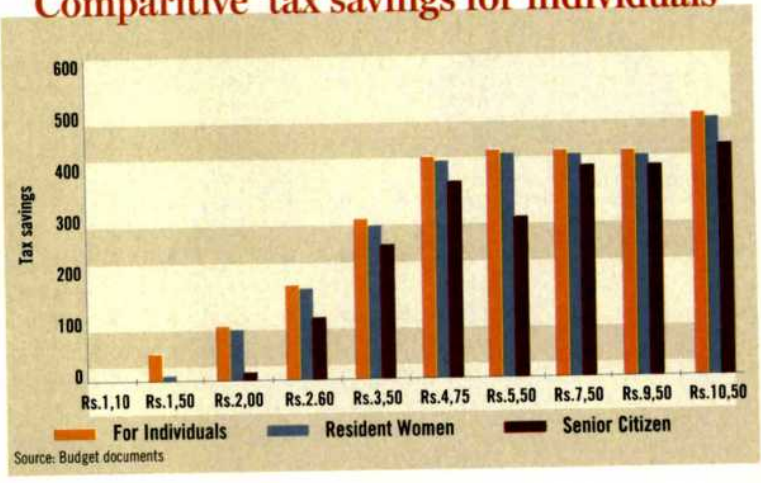
All these tax exemptions, deductions and price cuts mean that as the members of the middle class you will have significantly more disposable income, which could translate into increased spending on consumption or trigger off an increase in investments in various financial instruments, spurring economic growth.

Fruits of Labour

"With this extra cash I could buy household appliances," say Vinay Aravind, a corporate lawyer in Mumbai. Aravind, who is in his fourth year at work, has been saving up very little so far and plans to use the additional money to buy things for this new unfurnished flat. "I have not yet thought about putting money in savings instruments," he adds. There are others like him, who plan offer this 'surplus' cash at the altar of shopping malls. "Personally, I would love to shop for things that I have always wanted to buy — expensive sarees, household appliances, etc," says Pramila Raikar, a senior executive at a leading television channel in Mumbai, who was in a cheery mood after watching the Budget.

You could either go on a shopping spree like them or see this as a great opportunity to save some extra cash. "This is a great decision by the government," says Pradeep Bhansali, a police inspector in Mumbai. "I get to save more for my children's education. I would do this by investing in mutual funds or in schemes of the government." Ramakrishna, an assistant manager at Hindustan Composites, who is closing in on his retirement age, wants to put the additional savings in safe investments for his old age.

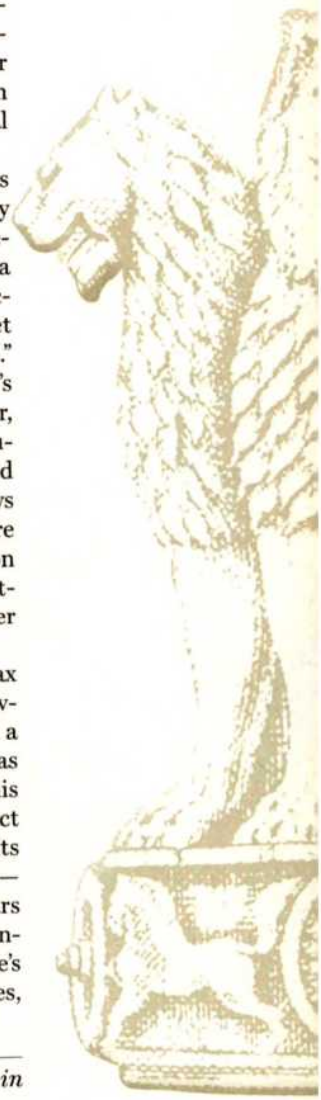
Comparitive tax savings for individuals



Source: Budget documents

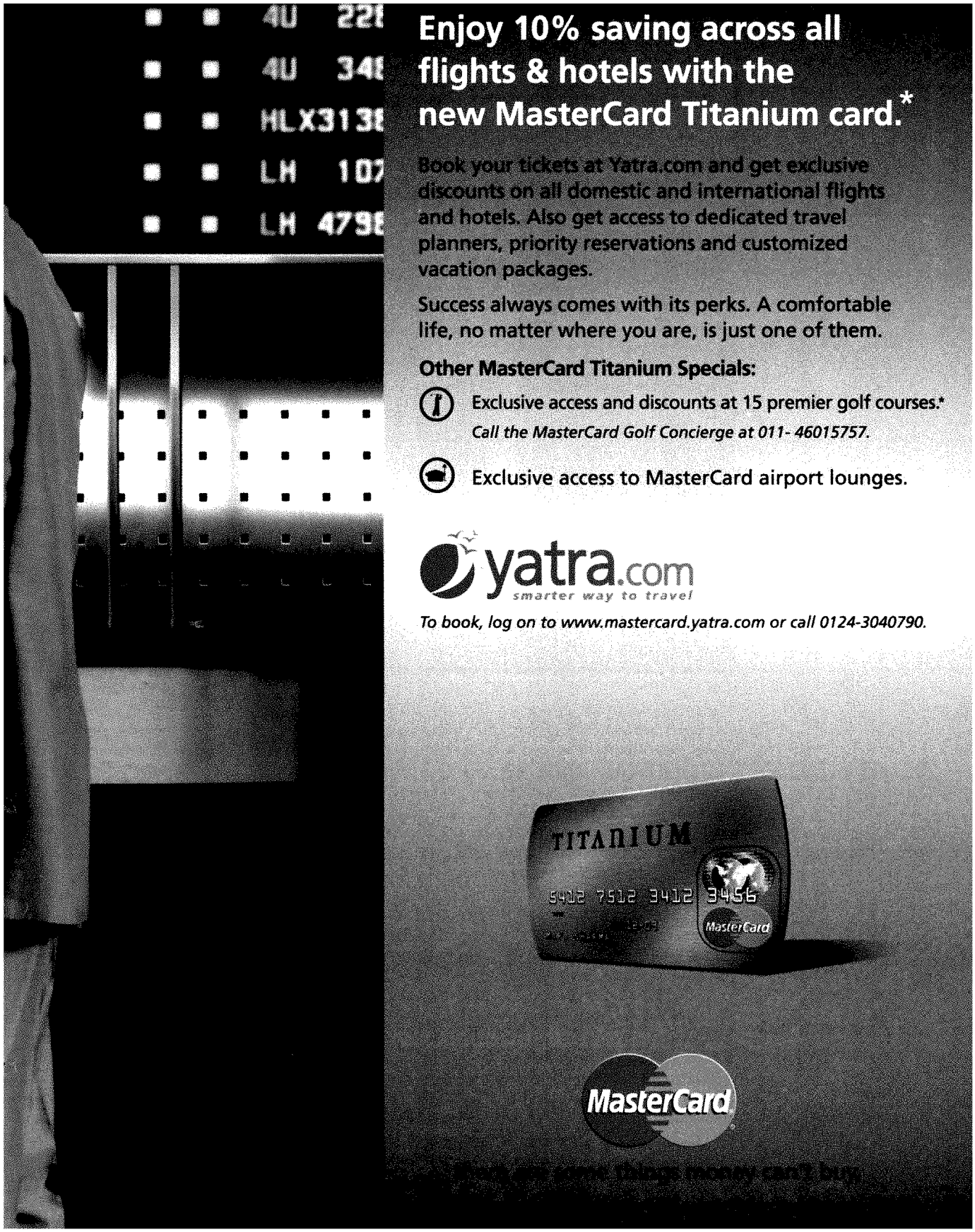
Of course, there are also those whose savings and income will not be altered significantly by the new measures. "The only way I have benefited from the Budget is by virtue of being a woman," says Anjali Sadana, a marketing executive with Lenovo in Bangalore. "The Budget has not really made such a difference to my life." But there are several people, such as Mumbai's Nirmal Singh and Chennai's Indranil Talukdar, who plan to invest the additional savings in mutual funds. The majority of the people, it would seem, are keener to spend the money on the joys of travel, sport and electronic gadgets. If you are one of them, then there is of course more reason for you to celebrate, for some parts of the set-top boxes have been exempted from the 7.5 per cent customs duty and, thus, will be cheaper.

The middle class is clearly happy with this tax cut. At a time of rising expenditures and growing inflation, this is a significant windfall. In a politically crucial year, the finance minister has certainly scored a few brownie points with this crucial constituency. While this might impact the exchequer a little, there are huge benefits both in terms of savings and consumption — both crucial at a time when recessionary fears loom large. Also, raising the slab is a form of inflation adjustment and is a reflection of people's real income. This move shows that sometimes, good politics can also be good economics.



sumati.nagrath@abp.in

flight tickets to Singapore for board meeting: Rs. 40,000
MasterCard
hotel reservation and chauffeured car: Rs. 35,000
MasterCard
someone to take care of it all: priceless
*Terms and conditions apply. MasterCard is the registered trademark of MasterCard International Inc.
McCann/MCARD/538/08


Enjoy 10% saving across all flights & hotels with the new MasterCard Titanium card.*
Book your tickets at Yatra.com and get exclusive discounts on all domestic and international flights and hotels. Also get access to dedicated travel planners, priority reservations and customized vacation packages.
Success always comes with its perks. A comfortable life, no matter where you are, is just one of them.
Other MasterCard Titanium Specials:
Exclusive access and discounts at 15 premier golf courses.*
Call the MasterCard Golf Concierge at 011- 46015757.
Exclusive access to MasterCard airport lounges.
yatra.com
smarter way to travel
To book, log on to www.mastercard.yatra.com or call 0124-3040790.
TITANIUM
5412 7512 3412 3456
MasterCard
MasterCard

Mixed Prudence

by ajit ranade

Though not fiscally prudent, the FM managed to mix populism and pragmatism well in his last Budget

IT IS IMPORTANT TO KEEP IN MIND THE CONTEXT TO this year's Budget preparation. After four years of strong growth, there is clear indication of a slowdown in 2008-09. Globally, oil prices flirt with $100 levels and Western economies apprehend the specter of stagflation. The subprime turmoil in financial markets continues to reveal new holes every week. Hence, what was required for the domestic economy was a dual medicine of inflation control and a growth impulse. So we got a Budget with both these aspects — Inflation antidote with a cut in excise (down to 14 from 16 per cent) and a growth impulse through tax cuts to consumers.

As tax slabs move upwards, most of the middle class will fall into lower brackets, and pay lower taxes. Hopefully, this will translate into greater consumer spending and boost growth.

The finance minister is to be commended for having met the statutory limits of the fiscal responsibility law. He admitted, rather modestly, that he has been a lucky FM enjoying a global high tide of growth for the past four years. On his watch, the mix of tax revenue tilted decisively toward direct taxes, reducing the distortion of indirect taxes, and, thus, making the tax system more progressive. Service taxes continue to grow vigorously, underlining the importance of the services sector. For two years now, both direct and indirect tax growth have exceeded Budget estimates; the former at 40 per cent, instead of 21 as budgeted, and the latter by a lower margin. The securities transaction tax also effectively milked the soaring fortunes of the stockmarket. Surprisingly, customs duty collections were quite buoyant, growing at 17 per cent last year, even at much lower tariff rates, and thanks to a huge upsurge in imports driven by a stronger rupee. India's widening trade deficit is a cause for worry, kept manageable only due to ever increasing remittances of overseas Indians.

There is also legitimate concern that the FM's compliance with the fiscal discipline is in letter but not in spirit. Many items that impact the treasury have been taken out of this Budget and postponed to the future (through bonds issued by state-owned entities), or simply not provisioned for (such as the loss of revenue due to reduction in central sales tax, or the farm loan waiver). It would have been better to explicitly provide for these items. Other liabilities, such as the Sixth Pay Commission, are as yet un-quantified. Taking all this into account, this can't be called fiscally prudent, even if Budget spending will rise slower than nominal GDP next year.

Ten years ago, this FM in an earlier avatar initiated a white paper on estimated all non-merit subsidies. The figure quoted then was about Rs 1.5 lakh crore, including on higher education and transportation. Presumably, that burden is much higher now. Hence, targeting subsidies better is critical. Even the supposedly self-targeting employment guarantee scheme is not working well, says the CAG report. Leakage of kerosene and food subsidy to the non-poor is well known. So, smart card-based tools to reach the poor are welcome, although these require state government cooperation. Making central aid to state governments conditional on targeting efficiency is a good idea; maybe the Finance Commission will factor this in. The Planning Commission too is likely to take on the mantle of an implementation monitoring agency.

This is clearly a pre-election Budget, with the farm loan waiver, the huge increase in social sector spending and the tax cuts for the middle class. There is not much else the FM could have done, given little maneuvering room with coalition partners and the clouded growth outlook.

The author is chief economist, The Aditya Birla Group

SELECTED
BUSINESS
Superbrand
INDIA 2008
INDUSTRY VALIDATED

SUZLON
POWERING A GREENER TOMORROW

where DO WE LOOK WHEN THERE ARE NO FOSSIL FUELS TO LOOK FOR?

As the world races on towards development, our finite conventional energy supplies continue to deplete. To power sustainable development, we need to look towards renewable, eco-friendly energy sources, like the wind. At Suzlon, we serve your energy needs by providing dependable wind energy solutions backed by excellent customer response and a fully integrated and secure supply chain, which delivers customised solutions to ensure project performance globally. Come to us, so the wind can power the world's future and yours.

∴ THEREFORE
SUZLON

www.suzlon.com

rld's 5th largest and fastest growing integrated wind turbine manufacturer | 350KV to 2.1MW capacity wind turbines | Workforce of 12,000 people in USA, Australia, Belgium, Brazil,

Industry Likes It

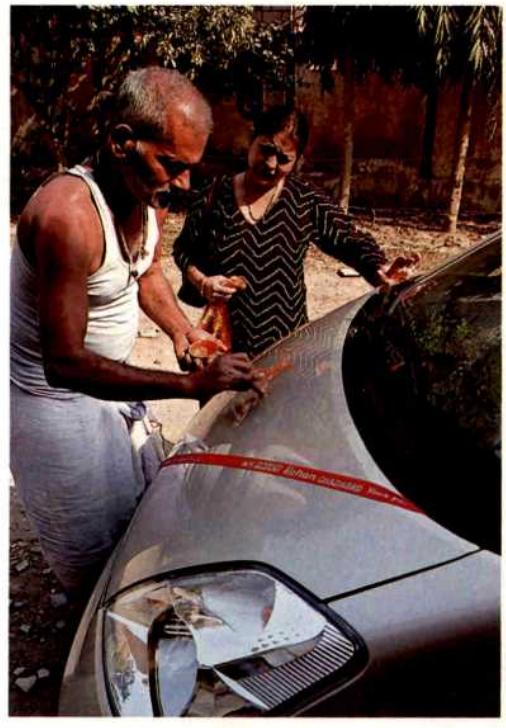
by Team *BW*

Sales will rise with cut in excise duties on various products

INDUSTRY HAS VERY LITTLE TO COMPLAIN ABOUT the Budget. If there was any fear of a slowdown lurking, the finance minister has triggered a demand rush with a 2 per cent cut in Cenvat and a 2-10 per cent excise duty cut across different sectors. Consumerism is set to intensify as a host of products, including cars, two-wheelers, wireless data cards, refrigerators and water purifiers, will attract lower excise duty. Some medicines will be cheaper and electric cars will attract no taxes. With set-top box components attracting a lower import duty and new players entering the market, expect a jump in DTH (direct-to-home) subscriptions. Here is *BW*'s take on the five key sectors affected by the Budget:

Automobiles

For the first time, car sales crossed the 1-million mark in 2007. But sales dropped 6 per cent as banks raised interest rates on car loans, sparking off a fear of slowdown. The FM's decision to cut excise duty on small cars from 16 per cent to 12 per cent will surely arrest the decline in sales. Duty on hybrid cars has been slashed from 24 per cent to 14 per cent and electric cars will now attract no excise, as against 8 per cent earlier. "The excise duty reduction will make small cars more attractive and offset the impact of higher interest rates," says Shinzo Nakanishi, managing director of Maruti Suzuki in India. Hyundai Motors, for instance, has already announced price cuts ranging from Rs 8,000 to Rs 19,000 on various small models. The excise cut has, however, widened the price differential between small and mid-sized cars. Mid-size cars now attract 24 per cent excise, double that of small cars. "It is disappointing to see this," says Arvind Matthew, president and managing director of Ford India.



SANJAY SAKARIA

MEGA PUSH: Cut in excise duty on small cars will arrest the decline in sales

Comparatively, even hybrid cars will attract a lower excise of 14 per cent. Customs duties, which double the price of imported cars, remain unchanged. Nirmal Minda, managing director of auto-component maker Minda Group, feels that locally-made hybrid cars would now be cheaper, which would subsequently increase demand for LPG and CNG kits. India's only electric car, Reva, will attract zero excise duty on certain parts, down from 8 per cent — its first break from the government after seven years in business; six key components, including batteries and the electric motor, have also been exempted from excise duty. However, Girish Rakhe, president of the eco-friendly car maker's India operations, feels the list should have included more parts.

The Budget also proposes cuts on two- and three-wheelers from 16 per cent to 12 per cent. This will help keep high end two-wheelers competitive against Tata Motors' Rs 1-lakh Nano, which is now Rs 4,000 cheaper. Minda adds that the waiver of loans to the farm sector will raise bike sales in rural areas.

However, fellow auto-component maker Raghupati Singhania, vice-chairman and managing director of tyre maker JK Tyre & Industries, isn't so happy. Imported natural rubber, a raw material he uses to make tyres locally, fetches a 20 per cent duty, while imported tyres are actually cheaper as they only attract a 10 per cent duty. "The key concern of the tyre industry related to inverted duty structure on natural rubber has not been addressed," says Singhania.

R&D has also received a boost. Ravi Kant, managing director of Tata Motors and president of the Society of Indian Automobile Manufacturers, says he is happy with the 125 per cent weighted deduction for outsourced R&D. "This will help the industry undertake more R&D and develop advanced products," he says.

The excise duty on buses and their chassis has also been cut from 16 per cent to 12 per cent. This will help upgrade buses and put more of them on roads.

Power

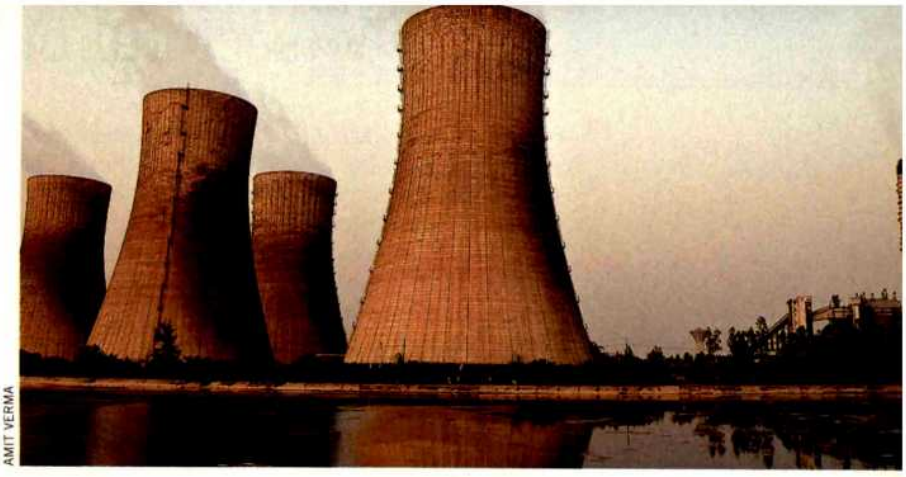
While the Economic Survey maintained the need to give a thrust to nuclear power by encouraging private sector participation, the Budget completely skirted the issue. This is fuelling speculation that the government first wants India to seal the 123 Agreement with the US. So while private players' nuclear aspirations failed to take wings, for the moment they will have to contain their ambition to bid for the five new ultra-mega power projects (UMPPs) in Chhattisgarh, Karnataka, Maharashtra, Orissa and Tamil Nadu, and bid for rural electrification projects instead. "Five more UMPPs are directed at reducing the demand-supply gap in the power sector," says A.K. Srivastava, managing director of Essar Power.

The UPA government's thrust in rural electrification is evident in the finance minister's decision to continue the Rs 28,000-crore capital subsidy for the Rajiv Gandhi Grameen Vidyutikaran Yojana in the Eleventh Plan period, in addition to allocating Rs 5,500 crore during 2008-09 for the scheme. "It is an important move that may look innocuous and just another populist measure, but it has lot of potential," says Harry Dhaul, director general of Independent Power Producers Association of India. The sector would see more power equipment being installed in rural India, he feels.

For a change, analysts feel the thrust to the power sector is aimed at hastening the pace of growth, rather than leaving it as just another statistic to highlight the government's plans.

Chidambaram has provided a Rs 800-crore outlay for the Accelerated Power Development and Reforms Project. Considering the stress laid on improving transmisssion and distribution (T&D) by the prime minister, the FM has announced setting up of a national fund for T&D. "Though the National T&D Fund announcement is a welcome step, its scale and structure will yet evolve," says Anjani Agrawal, partner at Ernst & Young. "As The T&D sector has historically lagged in investments, this fund could bridge the equity gap funding in this segment."

But by not addressing the issue of 'withholding tax' (required from all payments chargeable to tax made to non-residents at rates specified under the domestic law treaty), Dhaul feels that the finance minister has missed a good opportunity. He says that removal of this tax would have brought in more than Rs 50,000 crore into the sector.



AMIT VERMA

POWER PLAY: The thrust to the power sector is aimed at hastening growth

Telecom

The FM gave a push to the poster boy of Indian reforms, telecom, directing it towards rural India. The government is already setting up 100,000 broadband centres called Common Service Centres through Bharat Sanchar Nigam. It will now invest Rs 450 crore in establishing State Wide Area Networks (SWANs) that will form the backbone on which State Data Centres will be set up by the National Informatics Centre. These centres will provide information on land records, electricity bills and land registration and the like to the public.

The government is equally eager to see greater flow of data and convergence products, as is reflected in the excise duty cuts for the IT and communications sectors. Customs duty on convergence products is proposed to be reduced from 10 per cent to 5 per cent. This move, ac-

AMIT VERMA

A CALL ON GROWTH: Duty cut on wireless data modem cards will help improve broadband connectivity

HEALTH TONIC: Tax holiday to new hospitals will boost investment in healthcare

cording to the finance ministry, is to establish parity between devices used in the information/communication sector and the entertainment sector. Says Sunil Manglore, CEO of Datacraft India, an independent IT services company. "It will boost the adoption of converged communications by organisations and help Indian enterprises achieve productivity gains."

Besides, the high cost of wireless data modem cards was a deterrent in rolling out wireless data access services in large numbers. These cards offer data download speeds upwards of 256 kbps. The move to bring down the duty from 16 per cent to nil would push sales of this tiny hardware since it will slash the price by 50-60 per cent.

The only negative for the sector was Chidambaram's announcement to impose 1 per cent National Calamity Contingent Duty (NCCD) on cellular mobile phones. NCCD was earlier levied on polyester filament yarn. This has come as an irritant for mobile manufacturers who produce their handsets in SEZs and are exempt from all duties. Says Pankaj Mohindroo, national president of the Indian Cellular Association, "It will make life complicated for handset manufacturers."

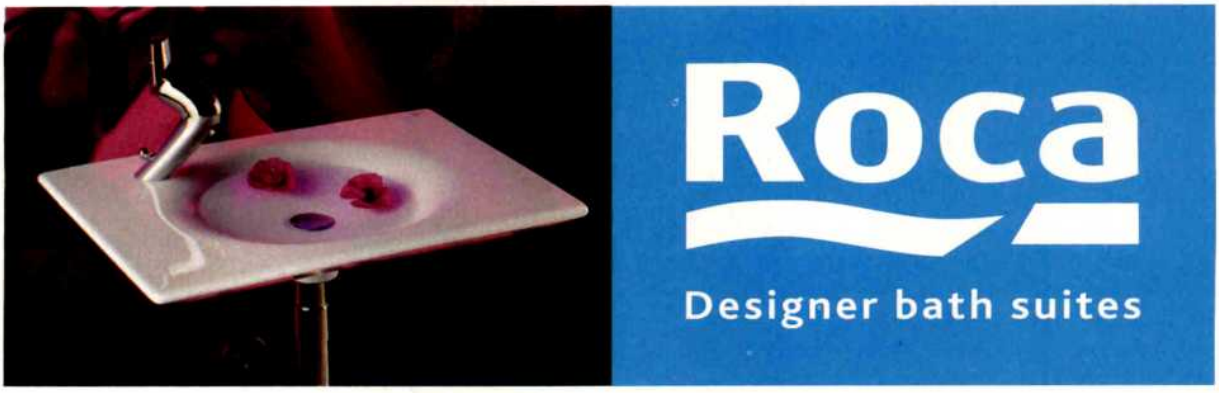
Will the price of handsets go up? While leading handset manufacturer Nokia's spokesperson says the full impact of this needs to be reviewed, Mohindroo is of the view that prices would continue to fall, but the fall would be 1 per cent less. Kunal Ahooja, CEO of Spice Mobile, says, "Symbolically, it will have an impact (on price)... it could have been avoided." With more than 7-8 million mobile subscribers getting added per month, the impact may not be a concern for Chidambaram.

A major industry demand for a single slab of 6 per cent revenue share, however, hasn't been addressed by the government. Telcos currently pay between 8 per cent and 12 per cent of their adjusted gross revenue in different circles. Vishal Malhotra, Partner, Ernst & Young, feels that overall the Budget has not been a happy one for the telecom industry as "none of their demands have been looked into".

BLOOMBERG

Pharma/Healthcare

Halving of excise duty on finished drugs (tablets, capsules, etc) to 8 per cent will not result in an across-the-board fall in drug prices. Drug makers have always preferred tax havens or excise-free zones to locate their factories. Many companies, including India's top drug maker Ranbaxy Laboratories, try and produce as much as they can for the local market from such zones. "The industry tends to be concentrated in such pharma hubs," says S. Radhakrishnan, chief financial officer of Mumbai's Cipla. "So while prices will decrease, it won't be to the extent imagined." The benefit from customs duty cuts on some life-saving drugs will be easier to track since their names are specified in a government schedule. Still, the excise duty slash makes a difference to those not producing from tax-free zones. That includes small and medium-sized companies "who were on the verge of collapse", says Daara Patel, general sec-



retary of Mumbai's Indian Drug Manufacturers Association, in a statement. The excise duty cut is not the only provision that may have caused more joy than it ought to. The other is a 125 per cent weighted deduction from taxable income granted to outsourced R&D expenditure. What this means is that if a company chooses a third party to manage, say, human trials of a research drug, what it pays for this service will qualify for a certain tax break. But if it were to manage its own trials, it would stand to get 150 per cent weighted deduction under an existing rule. In other words, save more. While conceding as much, Malvinder Singh, CEO of Ranbaxy, points out, this is still better than having no break on outsourced R&D, which was the case until now. The FM's decision to give a five-year tax holiday to new hospitals beyond the metros is less ambiguous in its impact. Since this tax holiday is only available for new projects, it could stimulate more investment.

BLOOMBERG

BIG PAYOUT: Banks will reap the benefits of the government's move to waive off agri loans

Banking & Financial Services

The banking sector is under the spotlight for the government's decision to waive agri loans to small and marginal farmers upto Rs 50,000 per borrower; the previous NDA government had offered a similar one-time settlement to farmers in 2002. And even though the government claims this will help 40 milllion small farmers, the fact remains that a huge number of small farmers never go to banks for loans. They are, instead, in the grip of moneylenders.

So, how will this impact the banks? If the government compensates the banks in cash, they will be only too happy. But it is still not clear whether the compensation would be through cash hand-outs or bonds or a monetary measure. The banking division in the finance ministry feels it could be in two tranches, the first one of Rs 25,000 crore coming by the end of April. This is a beneficial move for the banking sector because the government will now pay the banks all overdue loans disbursed up to 31 March 2007 and overdue as of 31 December 2007. This means that loans that may have been written off by the lending banks as non-performing assets would also get re-imbursed by the government. According to a senior finance ministry official, banks' outstanding agri-loan portfolio currently stands at Rs 3,20,000 crore.

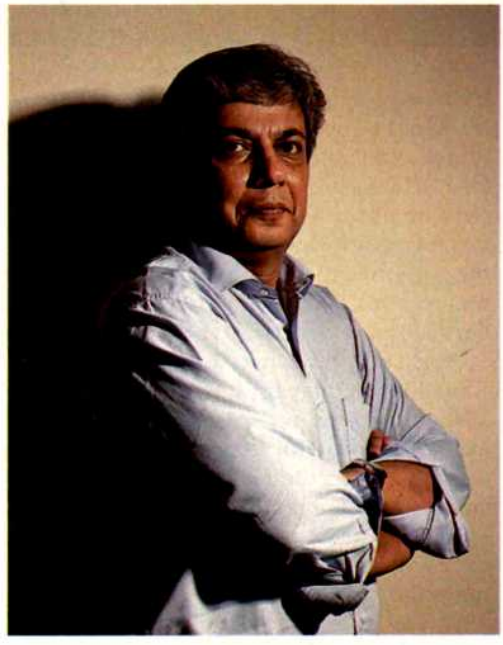
Most state-run banks are tight-lipped, but Rana Kapoor, managing director and CEO of YesBank, points out that the waiver of farm loans is a short-term strategy without seriously addressing structural issues. "This should provide a significant multiplier to the agricultural community and extract them from a vicious cycle of indebtedness, with productive channellising of their farming properties," he says

The other key measure in the Budget involved the corporate bond market. To develop the debt markets — including the launch of exchange-traded currency and interest rate futures — the tradability of convertible bonds will be enhanced. A mechanism will be put in place to separate the embedded equity option from the convertible bond and trade it separately.

Pierre Mario Fitter, Raghu Mohan, Gauri Kamath and M. Rajendran

Clever! Very Clever!

by omkar goswami



Leverage revenue buoyancy for social spends, loan write-offs and relief for industry. A Budget to please all

AT 1 PM ON 29 FEBRUARY, WHEN P. CHIDAMBARAM commended "the Budget to the House", he knew he had scored a triple century. The 2008-09 Budget took the wind out of the opposition's sails. It won kudos from industry. Its largesse to all segments of society that mattered prepared the ground for an earlier election, if necessary. And the exercise was couched in the language of a caring reformer who was returning to society its dues while preparing a stronger framework for inclusive growth. It was a masterly performance delivered with great skill — Mr Chidambaram's "coming of political age" Budget.

At the core of this Budget is the FM's confidence in India's entrepreneurial growth, which has yielded him enviable revenues. The revised estimate of net tax revenue to the Centre for 2007-08 has been 25 per cent greater than the previous year's. He is betting on revenue buoyancy in 2008-09, and has factored in another 17 per cent growth in net tax revenue. If that is surpassed, he will have the money to fund social sector programmes announced in this Budget, account for the loan write-off and the Sixth Pay Commission, yet keep deficits within limits.

The headline item has been the Rs 60,000-crore loan write-off for farmers. What do I think of it? The economist in me gets worried because of moral hazard issues. Farmers who repaid will look stupid and learn a different lesson; moreover, once begun, write-offs have a bad habit of reappearing. But the political voice in me says something quite different: "Poor farmers need relief. Yes, this is short-term succour. Yes, more needs doing to increase incomes and rural employment. But if I can afford it, why not give it?"

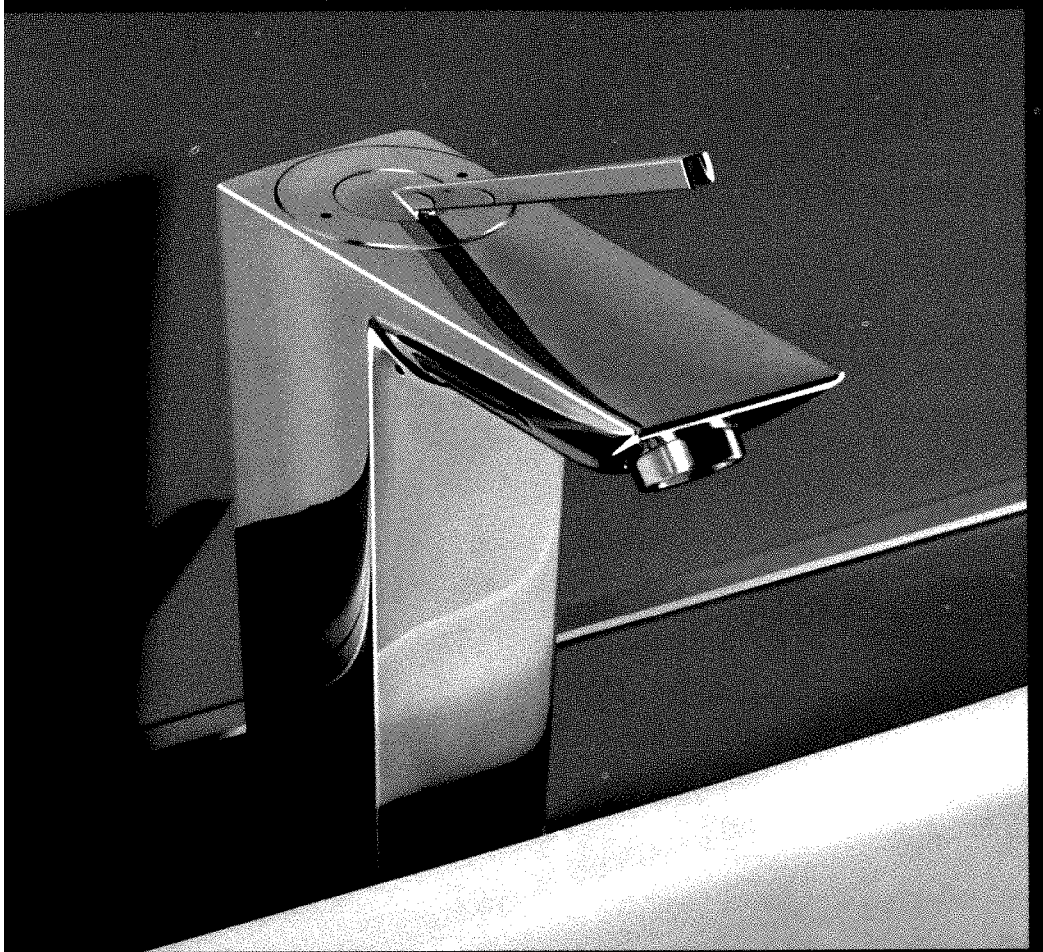
Mr Chidambaram hasn't accounted for the waiver in the Budget. This is what I think he will do. After calculating the hit to the banks — which I reckon will be around Rs 35,000 crore — he will recapitalise the banks by a special bond issue. This 'below-the-line' off-budget financing bothers me. We already have two such items: Rs 11,257 crore worth of oil bonds issued in 2007-08, and Rs 7,500 crore of bonds to fertiliser companies. This is creative accounting to maintain FRBM targets; not the transparency that modern Budget-making deserves.

The FM has also not factored in the Pay Commission impact as the report will be submitted only on 31 March. The initial effect during 2008-09 may be around Rs 25,000 crore.

So, what extra expenses could we be looking at? Rs 25,000 crore because of the Pay Commission; Rs 15,000 crore because of high crude oil prices and no pass-through; Rs 7,500 crore as securities to fertiliser companies; and Rs 35,000 crore for the loan waiver. In total, Rs 82,500 crore. If this was brought above the line, and revenues remained the same, the fiscal deficit for 2008-09 will be 4 per cent of GDP, and not the 2.5 per cent estimated in the Budget.

Does it matter? It does, in the sense of giving up on fiscal rectitude that has taken years to develop ever so imperfectly. But the FM may be lucky yet again. If net tax revenues increase by 20 per cent instead of the estimated 17 per cent, he is home and dry — even with everything being taken above-the-line. That's exactly what he is betting on. He believes growth will not slow down alarmingly, huge expenditure outlays and loan relief will stimulate domestic demand, and excise relief will ignite the manufacturing sector. Let's hope he is right. Because while mega-Keynesian Budgets like this get scores of 9 out of 10 in heady moments, they tend to come unstuck. Mr Chidambaram doesn't need that. Everything hinges on high growth. So, ladies and gentlemen, please join me for a *Vishal Jagaran* to pray for 8.5 per cent growth in 2008-09.

The author is chairman of CERG Advisory.
omkar.goswami@cergindia.com



Like other designer labels, frequently admired in front of mirrors.

It's the designer label for your private moments. Roca's bath suites are created by some of the world's most renowned and respected designers. They're the products of strong design philosophies that result in enduring marriages of form and function. David Chipperfield, Schmidt & Lackner and Ramon Benedito have enriched the world of design with work for Pasqual Bruni, Dolce & Gabbana, Canon, Panasonic, Sony and Siemens. Now they have invested porcelain and metal with a character that is uniquely theirs, and unmistakably Roca. The result is high fashion with an allure that is all its own.

Roca is the world's no.1 in sanitaryware and Spain's most widely recognized brand.

Featured here: A faucet from the Touch range; sculpted geometrical shapes inspired by the latest trends in architecture.

Roca

Designer bath suites

Parryware Roca Private Limited **Contact us: response@rocaindia.com** **www.rocaindia.com**

ROCA DESIGN STORES: North: Bhatinda Verma Sales Corporation 0164-2254544, 3290855 • **Chandigarh** Pt. Khushi Ram & Company 09815112233 • **Delhi** R C Gupta & Sons 011-29217451, 29211251 • Goojar Mal Ganpat Rai Pvt. Ltd. 011-26959535, 26959455 • **Jaipur** Rahul Dec Home 0141-2376640, 2366117 • **Jalandhar** Lovely Sanitation 0181-5086490, 2635388/489 • **Lucknow** Ballabh Dass & Sons 0522-4041959, 2614484 • **Ludhiana** Stylish Bath 0161-5001512, 2405612/498 **West: Ahmedabad** Gujarat Enterprises 079-26852013/3479 • **Kolhapur** Karade Ceramics 0231-644383 • **Mumbai** Dolce Vita Ceramics * 022-26373499 • Abhinav Buildmat Pvt. Ltd. 022-21724726/27 • Belleza 022-24924028/29, 09821112828 • Ceramiche 022-32673918, 09821027602 • Vaishali Sanitation Pvt. Ltd. 022-25787128/29/30 • Sejal Encasa 022-28633383/84/85/86 • H2O - The Bath Boutique 022-24389777/888, 09819500027 • **Pune** Mahavir Enterprises 020-25510501/02/03/04 • Sonal Ceramics 020-26450951/2481 • **Raipur** Ravi Traders 0771-2233391 • **Sangli** Deep Enterprises 0233-2672274, 09822002590 • **Vadodara** Bath Adorn* 0265-2371691 **East: Bhubaneshwar** GLS Stores (Garg Trading Co.)* 0674-2580133 • **Guwahati** Sani Steels Pvt. Ltd. 0361-2630059, 2514534, 2512118 • **Kolkata** B. P. Agarwal 033-24484398/4590 • **Siliguri** Anil Agencies* 0353-2777205 **South: Bengaluru** P. C. Sampath & Co. 080-25729838 • Siddharth Ceramics (A Division of Ram Ceramics) 080-22244961, 22214982 • Chandra Sales* 9341225745 • **Calicut** Paarol Enterprises 09447184660 • **Chennai** Sattar Sanitary Stores 044-28342525, 31003311 • Vaigai Sanitation 044-24660036 • **Coimbatore** Beautywares* 09865725333 • **Hyderabad** Home Affair 040-27761111/1622 • **Kannur** Lecture Gallery 09847016202 • **Kochi** Sree Venkateswara Agencies 0484-2380333/444 • **Mangalore** Sri Ram Sanitary 0824-2453568, 9880804088 • **Nagercoil** D. Kamal Ruby Marble Pvt. Ltd. 04652-220501/02/03

CQEM 1389

THE JETKING

A FRANCHISE TO

Jetking Dwarka's Centre Director, **Ms. Meenakshi Ahuja** believes in leading by example. An exceptionally motivated woman, she decided to take up the challenge of opting out of a high-level managerial position with a reputed multinational firm, to pursue her dream of self-employment. A dream that she had cherished since the beginning of her career, to compete with the best organizations; excel at whatever she would create and most of all ensure that her deliverables add value to the social fabric of the environment she operates in. A partnership with Jetking seemed to offer her a chance to realize all her dreams. A chance to impart quality education that would help build future leaders of India.

A very focused woman, Meenakshi had done a thorough study of the business sector before moving out of her secure job. Needless to say her years of experience in the managerial arena stood her in good stead. Meenakshi believes that vocational education is the next big thing in India. And in that the growing dependence on the IT industry only ensures that hardware and networking is here to stay. Call it the backbone to the IT industry or the backbone to every small and large scale industry, it is strength in hardware and networking that is sure to take India to the next level. Obviously, this is where she could notice her big challenge.

But she was not the only one. Enough people before her had noticed the potential in the booming education sector, specifically in the Hardware and Networking training arena. She needed to look for a like minded institute to partner. What attracted her first to Jetking was the fact that the institute was a leader in the field of hardware education. Her interactions with the management at Jetking revealed the fact that the institute had very well established systems that focused on students with a perspective of looking at their needs in a corporate scenario and most importantly they formulated their course structure after a thorough study of the growing corporate sector in India. This sort of understanding enables the institute to turn a non-technical student into a technically competent professional in just 13 months.

MEENAKSHI AHUJA - leading by example at her Jetking Infotrain centre at Dwarka.

With her ground work complete, Meenakshi set up the Jetking centre at Dwarka on 8th Jan. 2007 supported by an experienced faculty and other staff members to achieve her self-set target to achieve a turnover of over Rs. 1 crore within the first financial year.

A zealous worker, Meenakshi enjoys interacting with her students and believes their big dreams and high energy levels are an inspiration for her to create the best infrastructure that ensures a friendly ambience for them to study and excel in. At Dwarka she tries to answer the constant churning that goes on in their minds. While students enjoy flocking up to her, her advice to them is simple "Choose the right career. A good plan and a wider perspective are vital. Be serious. Pick a career that clicks with your head and heart. Always do the best. A successful career is built on the bedrock of hardwork coupled with a constant urge to excel."

A fun loving, high energy person, Meenakshi Ahuja is also a wonder woman. Juggling work with home efficiently has become a way of life for her. She manages her home with just as much passion, energy and enthusiasm as she does her centre. Weekends are her most precious days when she loves spending time with her family, sharing meals, picnics movies or just talking. A voracious reader, Meenakshi almost nev gives up an opportunity to lea and neither does she let go of opportunity to share her learnin with others.

While ambitious to achieve h dreams, Meenakshi has turn her big opportunity with Jetki into an advantage for young gi as well. Quoting her own examp to girl students she encourag them to take up the Hardware a Networking course in order chart a unique career path themselves.

Moreover, with the Jetki JMD Mr. Nandu Bharwar supporting her efforts totally the form of special schemes f girl students, her efforts a bearing fruit really fast. Th management is also ensuring th the female students are n discriminated against in the j market. Equal push, opportuni and training is provided to a students. Infact, teachers a encouraged to explain technic information in English as well in Hindi to ensure comple clarity. Special care is taken prepare not just the girls but eve boys to face the corpora environment. They are enc uraged to speak in English an present their point of views t seniors and corporate represe tatives.

A strong believer in the Hind philosophy of a Karamyog Meenakshi's leaving no stor unturned to ensure best faciliti and a perfect learning ambienc in her centre, on the way t becoming Jetking's bes franchisee centre.

Obviously with assets lik Meenakshi Ahuja, the Institut stands to gain by leaps and bond And it is no surprise then tha Jetking has managed to retain it leadership position over th years, despite the constantl growing and changin competitive environment.

TIMES

EMPOWER THE YOUTH

After 25 years of a steady and promising career at the State Bank of India, you'd obviously relax and slip into the rhythm of a steady and secure lifestyle. But not if you are **Mahendra Nath Dutta**. A 45 year old man, who believes there is no age limit to begin a dream and no achievement greater than the one that makes a difference to the society as a whole. With this, he applied for his VRS from SBI in June 2006 and set the foundation of a Jetking Centre in Guwahati. The first of its kind in the North Eastern Region.

A state-of-the-art laboratory at Jetking's Guwahati centre.

As Chief Manager in the Computer and Communications Department of SBI's local head office, Guwahati, Mahendra Nath Dutta was almost constantly facing a dearth of service engineers and a hardware backup team. Mahendra Nath Dutta realized that the problem was not exclusive to his department alone. The entire North Eastern region lacked a trained service team.

This milieu could lead to frustrations; instead it inspired Mahendra Nath Dutta to follow up on an advertisement posted by Jetking Infotrain and understand the workings of their business model in order to bring Hardware and Networking training into the North Eastern Region in a big way.

Jetking's planning and keen detailing of every business point-of-view impressed him. Moreover, the Chairman and Managing Director's philosophy of creating a better society by empowering the weaker sections of society through education, matched his own desire of bringing the North East into the forefront of development and growth.

For Mahendra Nath Dutta, the road was clear. For his wife it was a tumultuous decision. A lady, who had never questioned her husband's decisions so far, did not find this an easy "whim" to accept. Her children's future was at a critical juncture, their own future and retirement plans seemed shaken up.

While the challenge had excited Mr. Dutta, as it's reality began to unfold, his own apprehensions began to surface. Impassioned by the idea, he had taken on Jetking's Joint Managing Director's challenge of creating a "Model Centre" for the North East. That meant taking on double the space any other franchisee would need to start out with. Finances for such a venture were not easy to come by.

After various permutation combinations, it was his old SBI acquaintances that stood by him and encouraged his spirit. A leading global brand in hardware

MAHENDRA NATH DUTTA - changing the face of the North Eastern region via his Jetking Infotrain franchise.

& his Interior Construction Contractor offered him close to an 80% credit facility. Today, he proudly flaunts one of the best infrastructures across the Jetking franchisee network. His enthusiasm did not go unnoticed at the Jetking Head Office, either. Their financial and philosophical support never let Mr. Dutta loose faith and constantly backed him up in his efforts to meet Mr. Bharwani's challenge.

Today, 8 months old, with over 300 students enrolled in his centre, his children are already helping him run the centre and are certain to carry on in the business with him. With competition challenging him to constantly work on the brand image of his Institute, he believes he can never go wrong as his business is built on some very strong and unique methodologies and techniques, created by the Jetking team, that "have no comparison and are absolute".

Profits for him are really two fold, then. Financially, with a systematic clearing of his debts, he's certain his decision will be one that his wife would be proud of sooner than later and emotionally, there could not be a greater joy than to see young boys and girls from the North East taking a giant leap towards finding their place under the sun.

For more details on Franchisee Partnerships with Jetking Infotrain Ltd. call Ms. Pradnya 09969445859 or mail us at franchise@jetkinginfotrain.com

Jetking®

India's No.1*

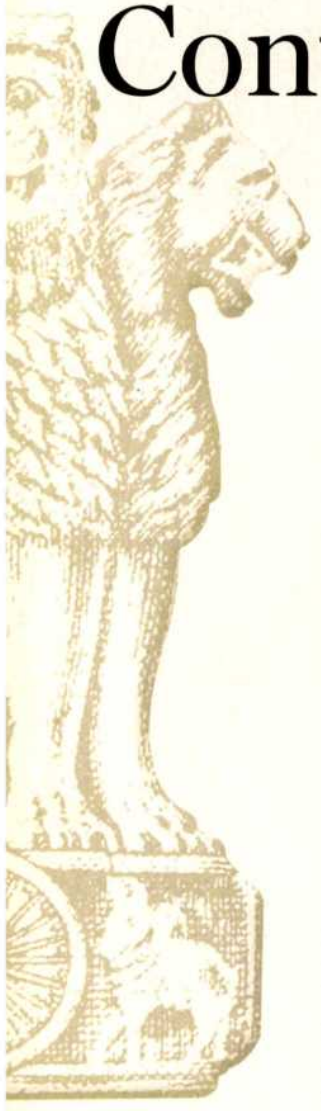
Computer Hardware & Networking Institute

www.jetkinginfotrain.com

Jetking Infotrain Ltd.- 401, Bussa Udyog Bhavan, T.J. Road, Near sewri Bus Terminus, Mumbai-400015. Tel.: 022-24156528/24156486

*Data Quest top 20 survey, 2006

Advt.



Continuity vs Change

by Ajay Kumar

HERE'S THE GOOD NEWS. CONTINUING WITH THE policy of fiscal consolidation, this year's Budget presented a better-than-ever-before picture of tax collections. The Fiscal Responsibility and Budget Management (FRBM) Act targets are well on track of being achieved.

Both corporate and personal income collections have performed better than budgetary expectations. The budget for the next year envisages a 20 per cent growth in direct tax collections even after considering possible reductions in collections stemming from the liberalised personal income tax slabs.

But as with successive Budgets, there are many areas of concerns that continue to remain unaddressed. First, a number of amendments have been introduced in the Finance Bill 2008; second, they have been made effective with retrospective effect. The primary effect has been to nullify favourable judicial precedents — in favour of large taxpayers, mostly — on tax disputes before various courts.

The rationale put forward for such retrospective amendments is that the decision of judiciary is not in accordance with the intention of Parliament. But why is this not taken into account when legislation is drafted?

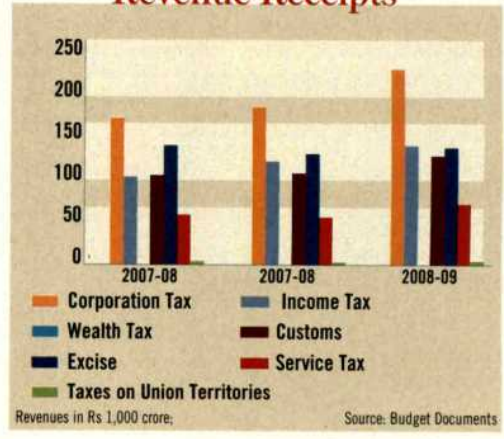
Needed: Clarity

In this context, two aspects merit deeper consideration. (1) Why was not the law clarified right upfront either through circulars or other means? (2) Why make it retrospective? This is bound to only increase the number of tax disputes in different jurisdictions.

A quick look shows that the disputed amount is astonishing. In 2006-07, the amount went up from Rs 90,000 crore to Rs 99,000 crore from 2005-06. Such a large increase calls for deeper and more thoughtful analysis. For instance, the Budget presented last year included Rs 10,000 crore as recovery of tax demands made by the tax authorities. Could it be that part of the buoyancy seen in 2007-08 is partly the result of past tax demands being collected?

In the event such cases are decided against the tax department and in favour of the assessee, taxes will have to be refunded along with interest. The impact of this is not captured in the cash mode of accounting followed

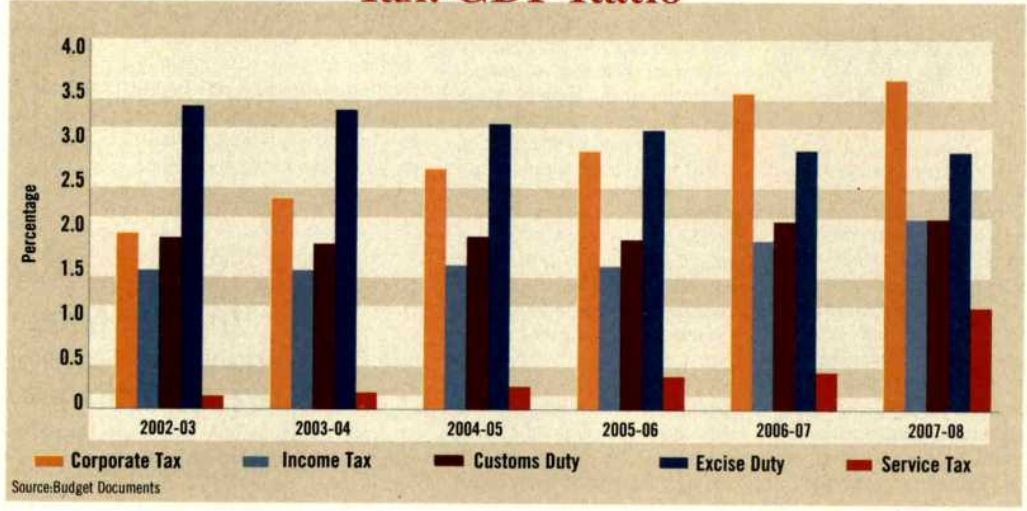
Revenue Receipts



Revenues in Rs 1,000 crore; Source: Budget Documents

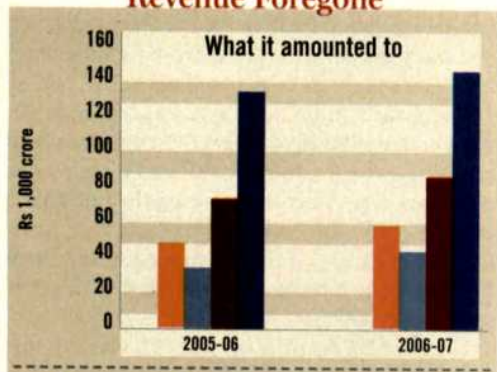
Retrospective impact of rule changes can be deleterious

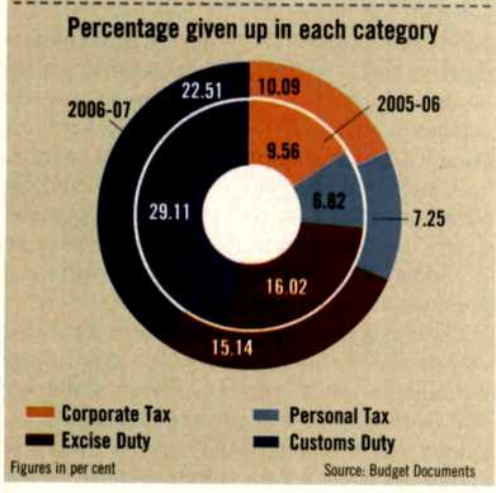
Tax: GDP Ratio



Source:Budget Documents

Revenue Foregone

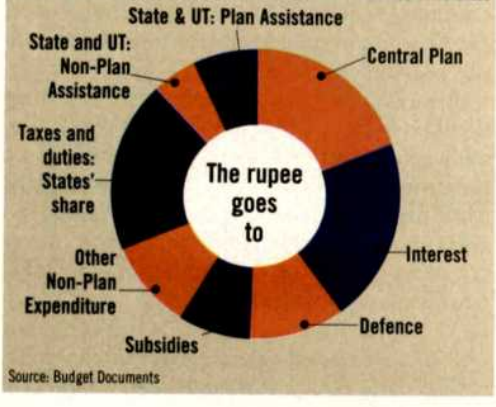




Figures in per cent

Source: Budget Documents

How The Money Flows



Source: Budget Documents

currently; often the amount can be substantial. In addition, the minimum alternate tax (MAT) is the kind of advance tax that companies will be able to offset in the future against the normal tax payable.

The tax buoyancy is also the result of an increase in the tax rates, bringing a new stream of tax payers under the tax net. Several measures have contributed to the buoyancy in the tax collections last year.

First, there was the introduction of MAT for companies enjoying the export tax holiday. Second, there was the rate increase in dividend distribution tax (DDT) from 12.5 per cent to 15 per cent. Third, a perceived loophole — tax pass through status for venture capital funds — was withdrawn. Finally, exemptions from capital gains tax were restricted to Rs 50 lakh. Policy liberalisation measures attracting investments in some of the sectors such as real estate also brought in tax revenues both to the state and central government coffers.

Structural Shifts

Another major element of our macro tax picture indicates decrease in indirect taxes' contribution to the total taxes. While this is a structural shift, the good news is that a reduction of indirect tax collection rate indicates a possible moderation of prices of goods and services; hopefully, this would now result in increased consumption and propel further growth in the manufacturing and services sector; that would augment the direct tax collection.

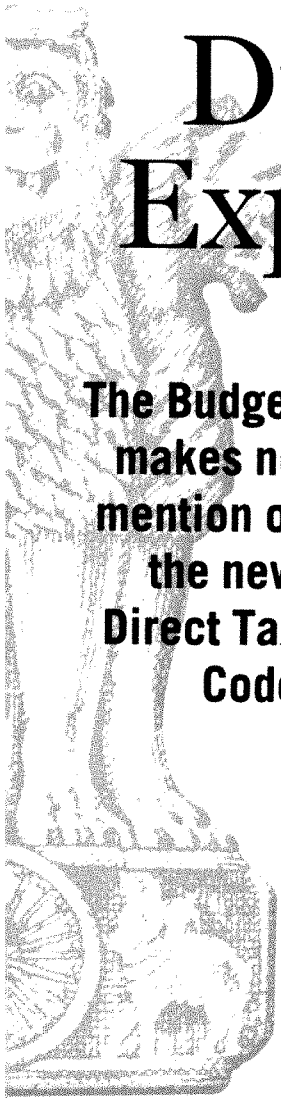
On the tax administration front, dematerialisation of tax deducted at source (TDS) and tax collected at source (TCS) certificates has been a long standing recommendation since the 1990s. It's a pity that lack of focused attention on this area has led to postponement of implementation of such a scheme.

It seems that cherry picking continues to be the approach of choice that is followed. There has been a lot of discussion and debate on removal of tax exemptions and rationalisation of tax schemes, but the changes don't seem to have focus or direction.

And then there is the question of policy consistency. A number of amendments have been made with retrospective effect that can shake the confidence of investors.

The stability of tax policy — indeed the consistency of policy in general — is a key factor for continued investment that results in robust tax collection for the government. Hopefully, it will become as important as political stability.

The author is Executive Director at PricewaterhouseCoopers



Diminished Expectations

by Ketan Dalal

The Budget makes no mention of the new Direct Tax Code

INDIA IS AT A CROSSROADS IN ITS GROWTH STORY; on one hand, there is the cloud of global developments: a recession in the US and skyrocketing oil prices, to name two. Then there are the fundamentals of the India growth story — driven significantly by domestic consumption — which seem unimpacted. But that will hold only as long as the tax environment is conducive.

Corporate India is subject to several forms of direct taxes: corporate income taxes at almost 34 per cent, a minimum alternative tax (MAT) at 11.33 per cent, fringe benefit taxes (FBT) at varying rates, and a dividend distribution tax (DDT) at almost 17 per cent. On all four counts, expecations of relief were belied.

A reduction in the corporate tax rate, either in the basic rate of 30 per cent or the removal of surcharge, to minimise the overall corporate tax burden, was widely expected. Considering the phenomenal rise in corporate tax collections, from 14.8 per cent of gross tax collections in 1995-96 to 30.7 per cent in 2007-08, the demand for reduction in corporate tax rate seemed justified; unfortunately, the rate has been kept unchanged.

Similarly, the DDT has also remained unchanged. It stays the same in spite of interest on funds borrowed for investments in domestic companies not being deductible, and having far reaching economic impact. However, the cascading impact of DDT in the context of a parent company deriving dividend from its subsidiary has been sought to be neutralised.

Corporate India was also expecting withdrawal or softening of the MAT regime, which contributes only a small fraction to the gross tax revenues, especially considering the fact that a MAT is creditable within the next seven years. On the contrary, deferred tax provision and DDT have also been now included within the preview of MAT.

On the FBT front, some relief has been provided by elimination of FBT on guest house expenditure and exclusion of certain expenses from employee welfare, etc. But a major expectation of Indian industry that genuine business expenses (such as sales promotion) would be excluded from the purview of FBT was not met.

Investment in the Eleventh Five-year Plan period is estimated to be $500 billion (Rs 2 lakh crore). A reduction in the corporate tax rate would have accelerated capital formation and physical infrastructure.

There was an expectation of tax incentives for outbound investments. Given the stage of developments on the outbound investment front, that is, India Inc. is beginning to increasingly gather confidence here. An exemption on tax of dividends received from subsidiaries would have been an important boost. In fact, availability of companies at relatively reasonable valuations, given the softening of the economy globally, along with the dividend exemption, could have been a potent combination.

The rationalisation of personal income tax slab rates will provide relief to a large section of individual taxpayers, whereby, savings would range from Rs 4,120 to Rs 49,852, depending on the income level (highest being for incomes of Rs 10 lakh and more). However, a demand from salaried tax-payers for the reintroduction of standard deduction has not been fulfilled.

Most were also expecting some simplification and rationalisation or at least a mention of a roadmap, especially given that the new Direct Tax Code is supposed to be introduced primarily with that intent in mind.

Strangely, the Budget document is largely silent on the concept of simplification and rationalisation; even more strangely, there is no mention of the new Direct Tax Code. Clearly, while there are some silver linings and some important boosts on the macro front, from a direct tax perspective, the Budget has not fulfilled many expectations.

Rate changes and impacts

Particulars	2007-08 (Rates)	2008-09 (Rates)	Amendments
CORPORATE	33.99	33.99	No change
MAT	11.33	11.33	Deferred tax and DDT now included within MAT
FBT	Varying rates	Varying rates	FBT recovered from employee, deemed to be tax paid, creditable against foreign taxes; other minor amendments
DDT	17	17	Relief in the form of preventing cascading impact on parent company deriving dividend from its subsidiary

Source: Budget Documents

The author is the Executive Director, PricewaterhouseCoopers

Looking for some Doosra income?

Sundaram BNP Paribas TAX SAVER

LIPPER Global Top 120 Fund

Tax Saver – Dividend History

%	Rs. Per Unit	Record Date	NAV as on Record Date
50	5.0	26/03/2004	15.99
50	5.0	28/01/2005	18.14
30	3.0	30/09/2005	18.21
30	3.0	03/03/2006	19.63
15	1.5	25/08/2006	15.97
25	2.5	08/12/2006	17.51
20	2.0	23/03/2007	14.48
30	3.0	28/12/2007	20.91

Past performance may or may not be sustained in future. After payment of dividend the NAV will fall to the extent of payout.

250% dividend paid-out since 2004!

The nice thing about the Tax Saver fund is that it gives you a 'Doosra' income!

When you invest in the fund the government first gives you an 'income' in the form of tax-saving. This can be as high as 30% if you're in the highest tax bracket. So if you invest Rs.1,00,000, the maximum allowable for tax deduction, you straight away get Rs.30,000 in tax savings.

Then there is the 'Doosra' income in the form of tax-free dividends. With a fund like Sundaram BNP Paribas Tax Saver this 'Doosra' income over the last 3 years is much more than double the investment! Investors have earned 250% in dividends since 2004, as the table shows, making this a very attractive tax-saving investment. (Past performance may or may not be sustained in future)

Take advantage of Sundaram BNP Paribas Tax Saver and pave the way for your 'Doosra' income.

Reach us at :
Toll-free no. (BSNL & MTNL only): 1800-425-1000 All Service Providers: 044-28578700
Email: service@sundarambnpparibas.in www.sundarambnpparibas.in

SMS: 'INVEST' to 56070

SUNDARAM BNP PARIBAS MUTUAL
UNEARTHING OPPORTUNITIES

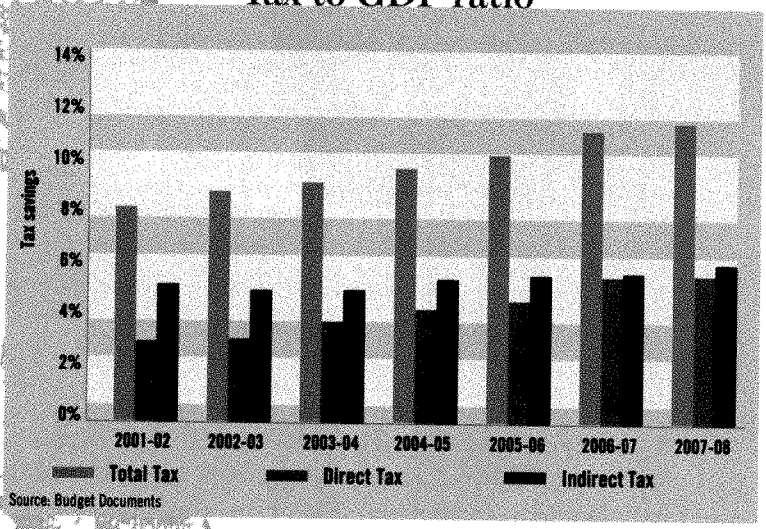
Lipper License Disclaimer : Eight funds of Sundaram BNP Paribas Asset Management have featured in the World's 120 top performing equity funds as per a customised report provided by global fun intelligence agency Lipper, a Reuters Company. The customised report, highlighting the 120 top performing equity funds in the world during the year 2007, is based on the study of all funds under the equity asse class tracked by Lipper, and have a minimum track record of at least one year as of December 2007 end. In total 24,887 equity funds (primary) qualified for the study. All returns are denominated in INR for th period ending on 31st December 2007. Data source: Lipper, a Reuters Company(www.lipperweb.com)

Fund Name: Sundaram BNP Paribas Tax Saver. **Fund Type:** Open-ended Equity Linked Savings Scheme. **Fund Objective:** The investment objective is to primarily achieve capital appreciation by investin predominantly in equities and equity related instruments. Income generation would be the secondary consideration. Units would be available for sale on all working days and redemption (after a lock in period of years from the date of each allotment of units, at the applicable NAV subject to prevailing loads. **Load Structure**: Entry Load: For applications < Rs.2 Cr: 2.25% For applications = or > Rs. 2 Cr.: Nil Exit Load: Ni **Risk Factors:** Mutual Funds and all securities investments are subject to market risk and there is no assurance or guarantee that the Fund's objectives will be achieved. As with any investment in securities, th NAVs of the units issued under the scheme can go up or down depending upon the factors and forces affecting the capital market. Past Performance of the Sponsor / Mutual Fund does not guarantee the futur performance of the schemes of the Mutual Fund. Sundaram BNP Paribas Tax Saver is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or it returns. The NAV of the scheme may be affected by settlement periods and transfer procedures. Trading volumes may restrict the liquidity of the scheme's investments. The investment in Mutual Funds is pron to risks of fluctuation in NAVs, uncertainty of dividend distribution. The Scheme is not offering any guaranteed or assured returns. **Statutory Details:** Sundaram BNP Paribas Mutual Fund, has been set up as Trust under the Indian Trust Act, 1882. Sponsors: Sundaram Finance Ltd and BNP Paribas Asset Management Trustee: Sundaram BNP Paribas Trustee Company Ltd. Investment Manager: Sundaram BN Paribas Asset Management Company Ltd. The sponsors are not responsible or liable for any loss resulting from the operation of the schemes beyond the contribution of an amount of Rs.1 Lakh made by the towards setting up the Mutual Fund. **Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Please consult your tax/investment advis before making an investment decision.**

Fidelis-SM-2140

Smoothening The Edges

by S. Madhavan



The FM continues to improve, moderate the tax structure

WHILE THE SHARE OF DIRECT TAXES IN OVERALL tax revenue is steadily increasing, the share of indirect tax, which has historically been high, is plateauing. Nevertheless, as the economy is growing at 8 per cent plus, the absolute amounts of tax revenues are clearly increasing across both tax categories. So what may we expect in 2008-09?

The major focus of the budget has been to provide relief to the common man, even the entire middle class, and with an eye on the elections. Despite this, the finance minister has managed to take the indirect tax reform process a little further. In lowering the central value added tax (CENVAT) rate from 16 per cent to 14 per cent, he has signalled the relevant goods and service tax (GST) rate on goods and has also taken a step towards integrating the indirect tax rates across goods and services. The service tax rate has not been increased and this could also be a signal that the 12 per cent rate on services is here to stay. There is also a reduction in the central sales tax rate from 3 per cent to 2 per cent. Taken together, the broad move towards the GST is evident.

The median rate of customs duty has been retained at 10 per cent, due to the strengthening rupee and to afford some degree of respit domestic industry. The reduction in the c rate, for project imports from 7.5 per cent per cent and the reduction in duty rates on sp ified inputs/capital goods for the pharma : IT sectors is noteworthy.

Sectorally, the biggest beneficiaries of budget changes are the automotive, pharr ceutical, infrastructure and information te nology (IT) sectors. In IT, some big tic changes have been introduced. Excise duty packaged software has been increased fro per cent to 12 per cent. Consequently, the co tervailing duty (CVD) component on impor software will also go up. On the other hand, c tomised software, on which tax or duty v hitherto not chargeable, has been brought der the service tax fold. Thus, all types of s ware, whether shrink wrapped or customis are now chargeable to a uniform rate of 12 cent, either as excise or as service tax. The p tive side for the IT sector is that they are n completely under the CENVAT chain, a would therefore be in a position to recover th input taxes. Further, the software exporti community has gained significantly in tha will now be able to recoup its input ta through the refund route. This is a big plus the IT/ITES Sector.

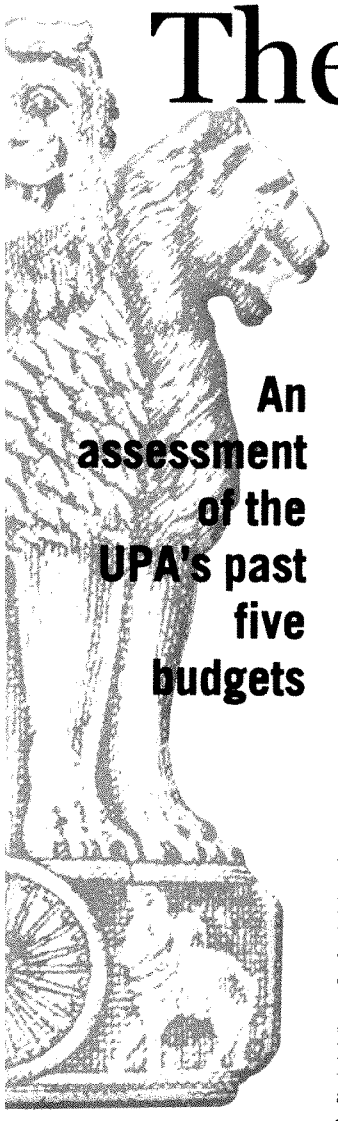
On procedural aspects, the major chan brought about by the budget are in the CE VAT Credit Rules. The most important amer ment, in relation to providers of both taxal and exempted services, is the doing away w the 80:20 rule of credit utilisation, by granti them an option to pay 8 per cent of the value exempted services and thus availing full cre of the inputs or input services. As an alternati they have been allowed to proportionat reverse the credit attributable to the exempt services, as per a methodology laid down in t rules. This option of proportionate reversal credit has been extended to manufacturers exempted/dutiable goods as well. These a important changes.

In short, the budget has been able to rati nalise indirect tax rates and moderate the where needed. Of course, resorting to secto incentives/exemptions has continued this ye as well but this has perhaps been unavoidab due to the impending elections. However, giv the gargantuan loan waiver that has been a nounced in the budget, it is commendable th the FM has not raised indirect taxes and has i deed maintained the moderate tax regime th has been in place for the past few years.

The author is Leader of Indirect Tax Practice PricewaterhouseCoope

We do anything
to get you the right candidate.
BUSINESS NEWS
In today's competitive world, talent is everything. And the best of talent is on Monster.com, India's best job site*. Using Monster's highly acclaimed Magic Search, you can search over 12 million job seekers and yet get just the right candidate. To give your business the Monster advantage, call 1800-419-6666^ today! *As declared by PC World in 2007 ^From any telecom operator
monster.com
No matter what

The Zig-Zag Years



An assessment of the UPA's past five budgets

by Puja Mehra

CONSISTENTLY GOOD

Pro Poor

Riding high on the revenue buoyancy, Finance Minister P. Chidambaram made blockbuster allocations to rural infrastructure and other pro poor programmes, averaging about Rs 15,000 crore, in each of his past five Budgets. This year, he has provided nearly Rs 18,000 crore. "He has done very well on allocations to rural infrastructure sector," says former economic affairs secretary C.M. Vasudev.

Education

He hiked allocations to the education sector especially NDA's programmes for school children, the Sarva Shiksha Abhiyan and the Mid-day Meal Schemes that the UPA inherrited. Though Mohandas Pai, member on the board of Infosys, says, "He could have fared better on skill development and higher education."

Revenue Realisation

He raised tax revenues by 22 per cent every year and pushed the tax-GDP ratio to 13 per cent from 9.2 per cent in 2004-05 by simplifying administration, going after evaders, easing rates, and digitalising payment and record-keeping mechanisms. The total mop-up more than doubled, from Rs 3,00,323 crore in 2003-04 to Rs 6,87,715 crore. At less than 8 paise per rupee collected, the cost of collecting taxes is now amongst the lowest in the world. "Nine on ten to Chidambaram's overall performance in five Budgets (same as Manmohan Singh's last three Budgets but two points more than Yashwant Sinha)," says Pai. "Full marks for revenue raised, but 6 on 10 on the spending side."

Fiscal Management

Despite the pressure on him for allocations to the social sector, Chidambaram never let go of fiscal prudence. He never disappointed on the Fiscal Responsibility and Budgetary Management targets. Rather, he surprised critics by declaring that the currently off-book provisions for oil and fertiliser subsidies totalling Rs 18,757 crore would eventually be brought on to books. These items included, his current fiscal deficit would yet be lower than the 5-plus per cent of GDP the NDA had bequeathed to him. Full marks to the FM for waiting for the coffers to bulge before loosening the purse strings. "Heavy *aam admi* spending in the first two years would have doomed this country," says Pai.

Reined In Expenditure

The lanky economist had lashed out in 2003-04 at the NDA's Budget, "Mr. (Jaswant) Singh does not realise that central government expenditure is a bottomless pit." Administrative controls on flows of funds ensured not once did Chidambaram's plan expenditure exceed the budgeted amount. No more than 33 per cent of the annual allocations were released to ministries in the last quarter of every year which typically failed to spend during the year.

Tax Rationalisation

A firm believer of moderation of taxes and rewards to compliance since his dream Budget of 1997, Chidambaram raised the floor income levels for payment of taxes at every possible occasion. Last year, he raised the service tax threshold to remove 200,000 small service providers from the tax net and this year, he said farewell to another 65,000 of them. This year he has also bade byes to 8.5 million individuals on personal income tax.

CONSISTENTLY BAD

Health

Despite his big bang allocations to the health sector, over 80 per cent of expenses remain out-of-pocket for majority of the population. Chidambaram is yet to meet the Common Minimum Plan target of raising allocations to the health sector to 5 per cent of GDP.

Import Duties

Chidambaram consistently reduced import duties every year, and used rate cuts as a tool against rising prices of fuel, cement and food every year. Yet, he did not cut the peak rate this year to offer comfort to the domestic industry against imports that are becoming cheaper on the rising purchasing power of the appreciating rupee. The current import duties regime offers an effective protection of 9 per cent to the domestic industry, which can be made lower still to boost greater efficiency of production.

Defence Allocations

Year after year, he made lavish allocations for

defence spending, hiking the Budget allocation up from Rs 66,000 crore in 2004-05 to Rs 1,05,600 crore. Critics point out that the increased outlays have not been matched with increased accountability on the spending.

Tax Exemptions

Though he fixed the exemptions on personal taxes, the FM did not axe the exemptions for corporates on indirect and direct taxes — doled out to lobbies under the garb of incentivising investments in a state or industry. These cost the exchequer Rs 2,78,644 crore. For every rupee garnered in taxes, another is lost to wide-ranging exemptions. This enables corporates to pay as little as 20 per cent, when the upper limit is 33 per cent plus cess.

BLOOMBERG

Excise Evasion

The tax department's performance on rampant excise duty evasion left much to be desired. Despite stern warnings to dodgers of the tax, he failed to lift the collections, which lagged behind economic growth. According to the department of revenue, barely 90,000 units pay excise, though 350,000 companies file corporate tax returns. But political compulsions prevented it from going after the evaders who constitute majority-swinging votebanks. This year, against the rather unambitious target — relative to overall goal of 17 per cent growth in total revenues — of Rs 1,30,220 crore, collections were Rs 1,27,947 crore.

CONSISTENTLY INCONSISTENT

Green Technology

Though the FM mentioned the urgency often, action on climate change was painfully slow. An expert panel set up last year is yet to go beyond draft recommendations. This year, Chidambaram announced the setting up of an institutional mechanism for reviewing clean technology products and an emissions trading platform. He cut the excise duties on hybrid cars, but they are still higher than those on regular cars. Electric cars have become duty free. However, a lot more needs to be done on the Kyoto protocol, which is due by 2012.

Random Taxes

He is a tinkerer who introduced arbitrary taxes, such as the fringe benefit tax, and a micro-manager lacking the big picture vision, says economist Surjit Bhalla. That might be true, but the tinkering has also proved smart. He used, for instance, the much-derided banking cash transaction tax — introduced in his first UPA Budget — not only to trail evaders but also to provide loose change.

Infrastructure

Chidmabaram lent weight to infrastructure, especially the NDA's projects for highways and roads, though with inconsistency. In his last Budget, he said the golden quadrilateral is nearly ready and there is considerable progress in the North-South-East-West corridor, which he said was expected to be completed by 2009. This year he said that the NSEW corridor is 23.36 per cent. How will the UPA complete the balance 77 per cent in one year. "Budgets must remove barriers to growth and Chidambaram failed to make any big initiative in infrastructure," says Vasudev. "Barring some movement in airports, the record was dismal."

Checks On Implementation

Chidambaram failed to inspire his Cabinet colleagues to draw big bangs from the bucks he provided to them. That has been his other major inconsistency — an inability to convince the political class about the need for reforms to spend well. In 2005, he had promised a mechanism with the Planning Commission to measure the development outcomes and weed out underperformers, but the outcome budgets tabled by the ministries are merely a statement of what they intent to do with the money.

THE UPA PLATFORM: Where do we go from here?

With inputs from Pierre Mario Fitter
puja.mehra@abp.in

Of FMs And Cabbages

by Puja Mehra

SANJAY SAKARIA

OPPS: One can only wonder as to why the Hon'ble FM made some of the decisions that he did

A closer look at the Budget papers reveal some absurdities

THANK YOU, DEAR FINANCE MINISTER, FOR FREEing the ~~grub~~ bought with electronic meal cards of the fringe benefit tax (FBT). At least those of us who get this perk from our employers are grateful. But the tax is not made any less absurd even after this concession — employers pay FBT on every cup of coffee or glass of water consumed by their employees but none on the same offered to, say, guests or clients visiting their offices. We wonder how long our rations would remain locked in the pantry.

More mysterious are the differentials between the effective tax rates payable by various industries and professionals. Courier agencies, for instance, pay effective rates of 37.64 per cent, though tobacco companies pay taxes only at the effective rate of 30.59 per cent. Couriers' sin? They are considered elitist and they pose competition to India Post. But what gets the cake is that the industries paying one of the lowest rates are the marble and granite suppliers. They pay taxes at the rate of 7.87 per cent only. Is it possible that these rates were last fixed when the Taj Mahal was erected and were forgotten thereafter? The dauntingly voluminous number of rates and levies the taxman has to take stock of all the time could make the oversight entirely plausible. The Kelkar Committee report on taxes — your ministry's Bible as far as tax reforms go — revealed that in any standard treatise on, for instance, customs, over 400 of the 1,000 pages elaborate on the total 120 available exemptions.

Talking about tax rates, you (and we know when not in office, you practise law) have consistently refused to bring lawyers within the service tax net maintaining "lawyers render little service". Consequently, while legal professionals are paying tax at the effective rate of 16.42 per cent, medical professionals are dishing out 28.05 per cent. Some penalty for rendering services that. Fashion designers are rumoured to be pulling up their socks. In the offing are *veshtis* (*dhotis*) that don't get torn on getting caught in wheels beneath the chair that seats the finance minister of India. We're told you've had to discard a few *veshtis* tasselled by the bothersome chair. Should fashion designers conceive tear-proof *veshtis*, would it not be fair to expect a relatively benign tax than the existing 30.07 per cent rate for them?

Your show of love for wildlife is exemplary. You have responded to the alarming drop in the number of tigers left in the country — barely 1,411. For the raising, arming and deployment of a special Tiger Protection Force, you've made a one time grant of Rs 50 crore. And have also kept the effective rate of taxation of forest contractors at the highest amongst all industries and professionals — at nearly 40 per cent. We confess to a lack of expertise in arms and warfare, but another of your decisions has made 0.177 calibre air guns duty exempt. Could the unambiguous message be if they must game, it better be with harmless guns?

It is likely to be the government's best kept secret that the North Block — the expansive red stone building to the right of Raisina Hill on the way up from India Gate to the Rashtrapathi Bhawan that houses the ministry of finance — is not a non-smoking zone. While the class C and D staff puff away in the dank, high-ceiling corridors, coffee and cigarettes are a staple for top bureaucrats pouring over important files. Isn't it entirely possible that the steady rise in the levies on tobacco products – non-filter cigarettes, cigars, cheroots and cigarillos become costlier this year — just might be a health-conscious boss's attempts at getting his team of officers and workers to stub the fag?

puja.mehra@abp.in

Selected Business Superbrand INDIA 2008 Industry Validated

www.mcxindia.com

For fluctuating ECGs, there's medical insurance. For fluctuating commodity prices, there's MCX.

Whatever threat you may face, chances are you have the option of insuring against it. But what about your business? Is it protected against the singular and constant threat of fluctuating commodity prices? Commodity exchanges provide the opportunity to hedge against this price uncertainty by offering a transparent platform where buyers and sellers can lock-in a mutually acceptable price and protect themselves from unfavourable price movements. It's an assurance your business can't do without. At MCX, we are proud to provide it.

sms MCX to 57333
call 1800-22-9444
or 022-4003 6990

Hedge in the futures market on

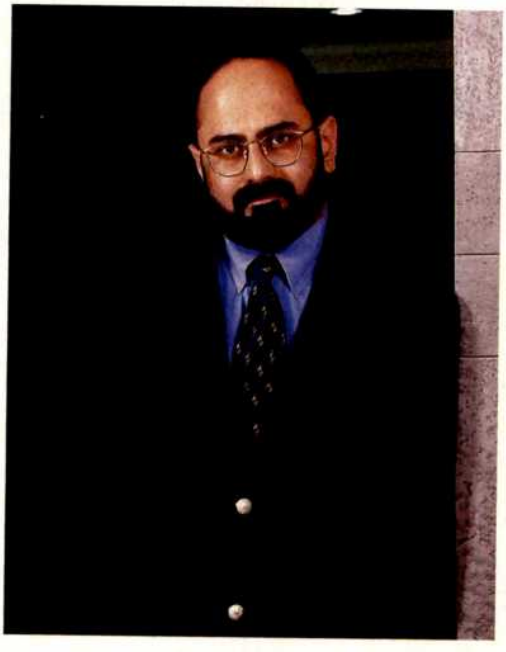
MCX
India's No.1 Commodity Exchange
A Financial Technologies Group Company

MCX is India's No.1 commodity exchange. Source: FMC website (www.fmc.gov.in) based on turnover in terms of value for FY 07.
Multi Commodity Exchange of India Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on SEBI website at www.sebi.gov.in as well as on the websites of the book running lead managers at www.dspml.com, www.citibank.co.in , www.jmfinancial.in, www.kotak.com and www.enam.com. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned offer document.

LOWE MCX 144 2619 PO IPO

It Could've Been Better

by rajeev chandrasekhar



THE LAST TIME PRIME MINISTER MANMOHAN SINGH presided over an election-year Budget was in 1995-96. That Budget sent the country into a semi-recession and a period of high interest rates and investment scarcity.

This Budget is on the back of a very different set of circumstances and will do no such thing. Growth in the past four years has been more plural, and there has been a good mix of higher public and private investments, higher consumer spending, robust services sectors, revived manufacturing and manufacturing exports growth. On the minus side, we had a crisis-ridden farming sector creating a gaping gap in the growth model — leaving many in a vicious loop of crisis and indebtedness.

The FM may have pleased some sections with his populist Budget, but there are many issues still left hanging

The mantra of inclusive growth first raised by the PM a year or so ago had then become a clear direction that the Budget had to take. So, predictably, this Budget significantly increases spending for rural India and tops it off with the loan waiver/loan restructuring sweetener. For the salaried class, there are tax exemptions and cheaper consumer products. Given this, the Budget does live up to its packaging of being an *aam aadmi* Budget.

In case of growth, the Budget is resting on the growth momentum and revenue buoyancy that is already present and does the tweaking necessary in some of the manufacturing segments showing a slow down. This has to be read along with the fact that the PM had assured Ficci at its AGM of meeting a 9 per cent growth target. So, all in all, it seems like a balanced Budget.

So, what are the concerns about this Budget?

If this Budget was last year's, I would have less problems with it. But this is a more 'risky' year. The dark clouds around the global economy could represent a threat to a fundamental assumption in this Budget — that of 8.5 per cent growth. It seems to me that we are investing a heavy cost structure in spending in the face of a potentially risky revenue growth scenario.

The second problem is more fundamental. While there is no argument against urgently building an inclusive growth model, we should question the approach that we are taking. Are loan waivers the best way to have inclusive growth? I would argue there are far more sustainable ways to deliver growth to the deprived communities. Are the banks going to bear the cost? If so, isn't this directed lending of the worst kind? This inclusive growth architecture needs to be a long-term sustainable model if it's to be more than just election-time rhetoric.

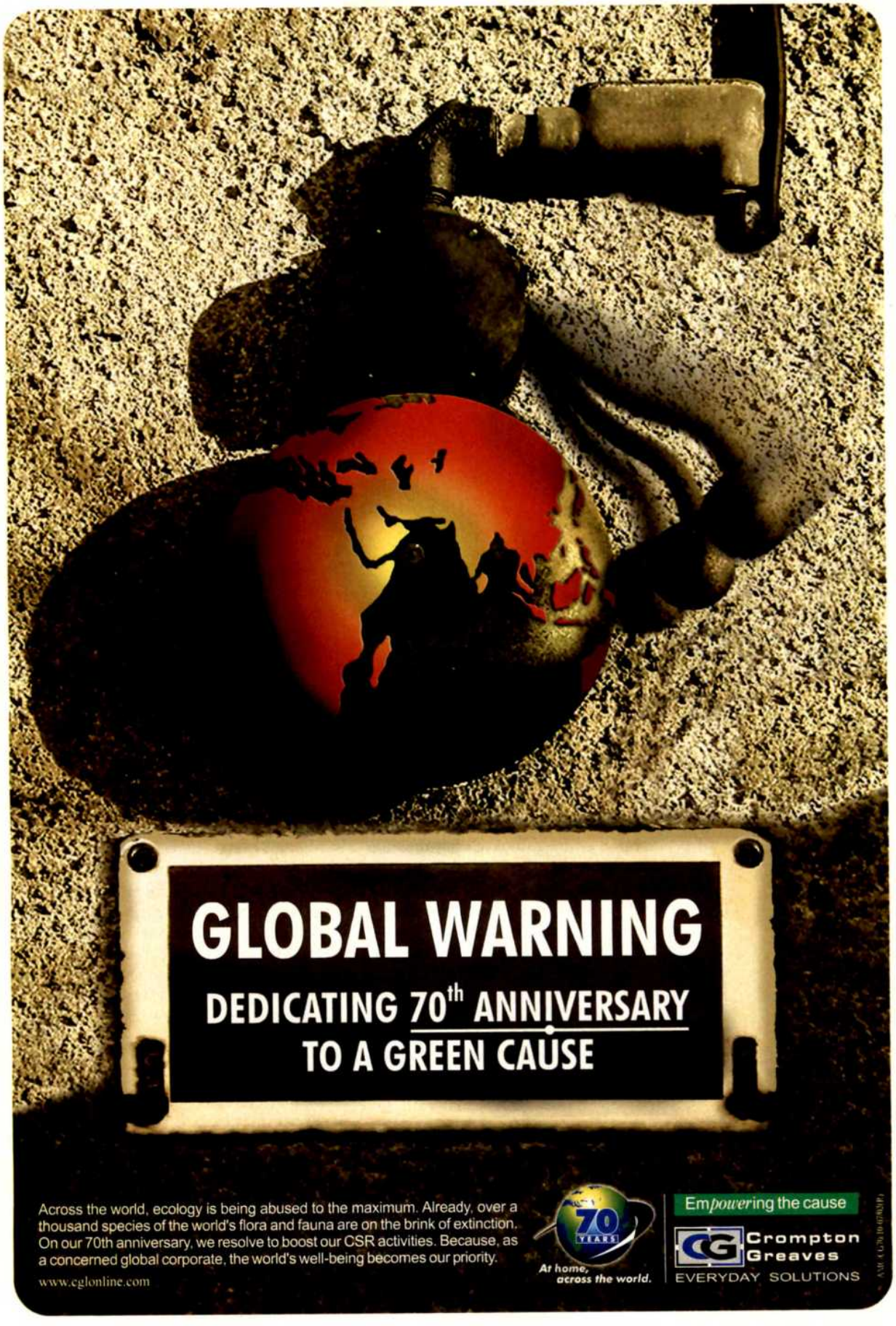
The third issue could have implications for the next government. If revenues undershoot or the financing of the loan waivers is more expensive than expected, what will be the implications on the finances? Will the new government inherit high deficits and related problems of interest rates, etc.? I have no issues with FRBM constraints being relaxed as a strategic short-term move, but will this not be a precedent for every populist government in the future to essentially throw away FRBM?

The fourth is one that we need to get increasingly aware of. It is clear that government and public spending is reaching high levels. Given the old adage of 15 paise for every rupee reaching the common man, it's imperative that these programmes of spending don't end up creating a whole new breed of middlemen who get rich.

Let me end by what a colleague in Parliament said when he heard the Budget described as an election Budget. He said it can't be all about elections because PC has provided Rs 50 crore for tiger protection, and tigers don't vote!

When the FM said at the end of his speech, "the best is yet to come", I agree!

The author is a Member of Parliament and the President of Ficci


GLOBAL WARNING
DEDICATING 70th ANNIVERSARY
TO A GREEN CAUSE
Across the world, ecology is being abused to the maximum. Already, over a thousand species of the world's flora and fauna are on the brink of extinction. On our 70th anniversary, we resolve to boost our CSR activities. Because, as a concerned global corporate, the world's well-being becomes our priority.
www.cglonline.com
70 YEARS
At home, across the world.
Empowering the cause
Crompton Greaves
EVERYDAY SOLUTIONS

Knock 'em Down

by Girish Mistry

BLOOMBERG

EVERYBODY HATES TAXES. THEY HATE BAD TAXES even more. Every Budget, there is anxiety about revisions to the tax regime that introduces some new and perhaps unnecessary tax. Now that tax collections are higher, compliance is greater and people have come to accept the need to pay them, perhaps it is time to look at a few that may have outlived their usefulness. While he did not eliminate them all of them completely, Finance Minister P. Chidambaram did do something to moderate their ill effects.

Let's start with the one that the FM did away with. To ostensibly curb and detect black money, the Finance Act, 2005 levied a Banking Cash Transaction Tax (BCTT) at a rate of 0.1 per cent of amount of cash withdrawn on a single day, in excess of the specified limits. The Reserve Bank of India has now introduced 'Know your customer' norms, which each bank is required to comply with. This knowledge would — to a large extent — take the veil off black money transactions. Further, the cost of recovering taxes on unaccounted income may far exceed the tax collected or the additional tax on account of the detection. Thankfully, the FM has moved a proposal to withdraw the levy of BCTT charged in respect of any taxable banking transaction entered into after 1 April 2009.

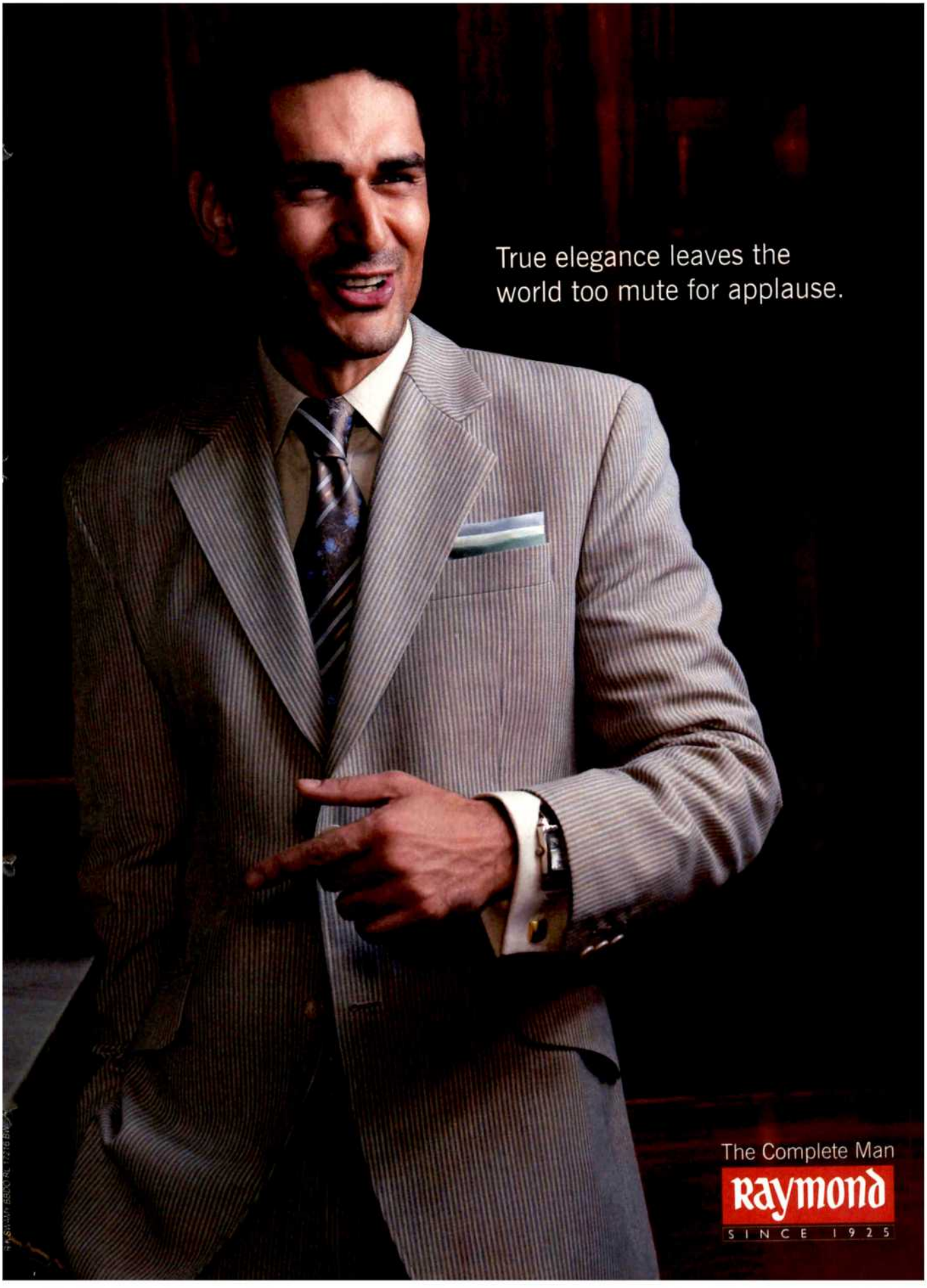
'Stickup' taxes that fleece the public must be eliminated

The dividend distribution tax (DDT) is levied on the dividends declared by companies. Over a period of time the rate has increased from 10 per cent to 15 per cent plus surcharge and education cess. When compared to partnerships, no such tax is payable in respect of the income distributed to the partners. Hence, in the case of companies, the effective tax rate — the corporate tax rate and the DDT payable by companies — becomes a disadvantage. This Budget provides for some solace: companies which receive profits in the form of dividends from their subsidiaries will not have to pay tax, as the DDT would be paid by the subsidiaries, and relieve the parent from the payment of DDT (subject to the fulfilment of the conditions prescribed).

The Finance Act 2005 also had another unpleasant surprise: the fringe benefit tax (FBT) on benefits deemed to have been extended to employees on a collective basis. This would be payable by a specified employer, and covered practically all employers. Despite pressures to withdraw the levy, the government last year introduced the FBT on stock options, indicating its intention to continue with the taxation. In a number of cases on which the FBT is levied, there may be no benefit being extended to the employee; the tax is unfair and goes against the principle of equity. The tax is also an additional tax liability on the employer. The finance minister has proposed to continue with the provisions without providing for any major relief except for some small tinkering.

The Minimum Alternative Tax (MAT) provisions have been continuously modified. MAT was introduced to address the inequity of zero tax companies. The latest amendment is the tax on capital gains where the profits could be exempt because they are made on the sale of investments made in specified securities, etc. For companies paying MAT, they will also be paying a securities transaction tax (STT) in addition to the capital gains tax. This seems especially unfair when compared to other non-MAT paying companies, who pay just the STT. Further, capital gains in respect of securities on which STT has been paid, MAT paying companies may be at a disadvantage. While a MAT tax credit would be available, the credit would actually be available some time after the tax is paid, which is discriminatory, and against the principle of equity. The finance minister has also introduced provisions that do not allow certain taxes as deductions in computing book profits; this only add to the cost of doing business. Hopefully, we'll see the back of these bad taxes soon.

The author is Executive Director, PricewaterhouseCoopers


True elegance leaves the
world too mute for applause.
The Complete Man
Raymond
SINCE 1925

Now Is The Time To Act

by susan dorman and richard e. chaisson

In light of the extensively drug-resistant TB attacks, the importance for vigorous surveillance of the global TB epidemic cannot be overstated

TUBERCULOSIS, ONE OF THE MOST DEADLY infectious diseases, is back with a vengeance, especially in Africa. Extensively drug-resistant tuberculosis (XDR-TB) attacks where health systems are historically weak, especially in areas of high HIV prevalence. Failure to contain local outbreaks, develop strategies for identifying and treating XDR-TB, and invest in longer-term improvements in TB control could transform our pharmacological magic bullets for TB into blanks.

TB treatment has been shadowed by the spectre of drug resistance since the dawn of the antibiotic era. Fifteen years ago, an epidemic of multidrug-resistant tuberculosis (MDR-TB) in New York City induced near panic, before a huge infusion of funds into the public health infrastructure turned the tide in the US and public interest waned. But the problem of drug resistance has persisted, and efforts to contain it globally have not been sufficient.

Enter XDR-TB. The World Health Organization estimates that there were 425,000 new MDR-TB cases in 2004, with China, India, and Russia accounting for over 60 per cent. But it was an outbreak of XDR-TB in HIV-infected people in KwaZulu-Natal, South Africa, that turned the global spotlight on the issue of XDR organisms.

In a study at the Church of Scotland Hospital in rural KwaZulu-Natal province of 535 patients who had confirmed TB, 221 had MDR-TB, a level 10 times greater than in the province as a whole. More alarmingly, 53 of the 221 had a strain that was also resistant to the two most clinically useful classes of second-line TB drugs. Fifty-two of the 53 died in a median of just 16 days from the time of sputum collection. Molecular typing of the isolates indicated that 85 per cent were clonally related, implying epidemic transmission of XDR strains, most likely in HIV clinics and hospital wards.

How did this localised outbreak of XDR-TB emerge? Are similar localised outbreaks going unrecognised elsewhere? More importantly, can XDR-TB be controlled? Resistance to anti-TB drugs arises from selection of naturally occurring mutants with innate resistance to drugs. Once this resistance develops, treatment is compromised, further resistance can evolve, and resistant organisms can be transmitted to other people.

Effective treatment of MDR-TB requires prolonged use of a combination of drugs, including second-line drugs that, for the most part, are less potent than first-line agents, more toxic, or both. An unfortunate consequence of treating MDR-TB with second-line drugs, however, is the inevitable emergence of further drug resistance. If the same factors that produce MDR-TB remain in play, then MDR-TB becomes XDR-TB.

The attempt to address drug-resistant TB cannot be divorced from overall TB control efforts. Moreover, TB control strategies targeted at populations with high HIV burdens are critical. Attention must also be paid to infection control in hospitals. Access to HIV care is urgently needed, and reducing HIV incidence would substantially reduce the TB burden over the long term. Also, the capacity for prompt, accurate laboratory-based diagnosis of TB and drug resistance must be strengthened. This will require infrastructure development, as well as reliable systems for procuring supplies, maintaining equipment, and training and retaining personnel.

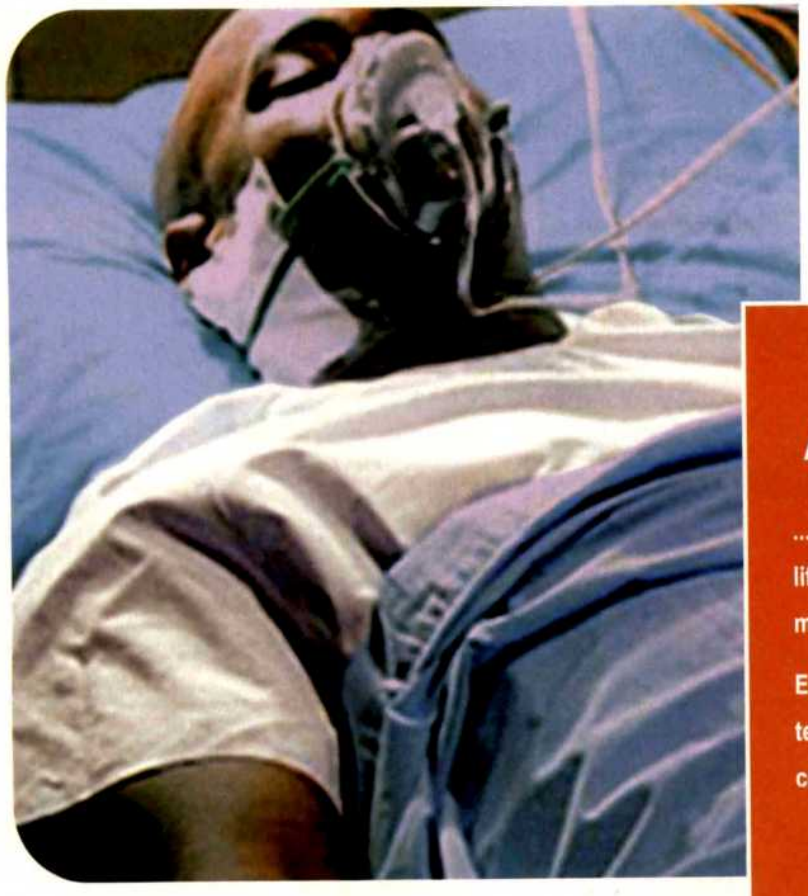
Surveillance for XDR-TB has been limited, as drug susceptibility testing for second-line drugs is not well-standardised and for some drugs is poorly reproducible. Priorities for XDR-TB surveillance include facilitating access to reliable susceptibility testing to second-line drugs and incorporating this, together with information about HIV testing, into existing TB surveillance activities.

Last, but not least, the importance of effective advocacy for a more vigorous response to the global TB epidemic cannot be overstated. This includes promoting new drugs lines to enhance the potency of first-line regimens, thereby shortening treatment duration and preventing the emergence of resistance. But new drugs are not enough. On the contrary, introducing them into settings where treatment compliance is not assured and drug susceptibility testing is not available would likely contribute to even more resistant organisms.

Ultimately, health systems must be strengthened to enable healthcare providers to detect TB with more sensitive and specific diagnostic tests, treat TB according to the class of the organism with the latest and most potent drugs, and prevent TB among those who are at risk. These steps may very well ensure that XDR-TB does not engulf the advances made in the last century in the global fight against TB.

The authors are professors of medicine at the John Hopkins University

(C) Project Syndicate, 2008



ELGI

Think Long Run

AIR POWER...

... enough to support critical life saving systems in the medical industry.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather ▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

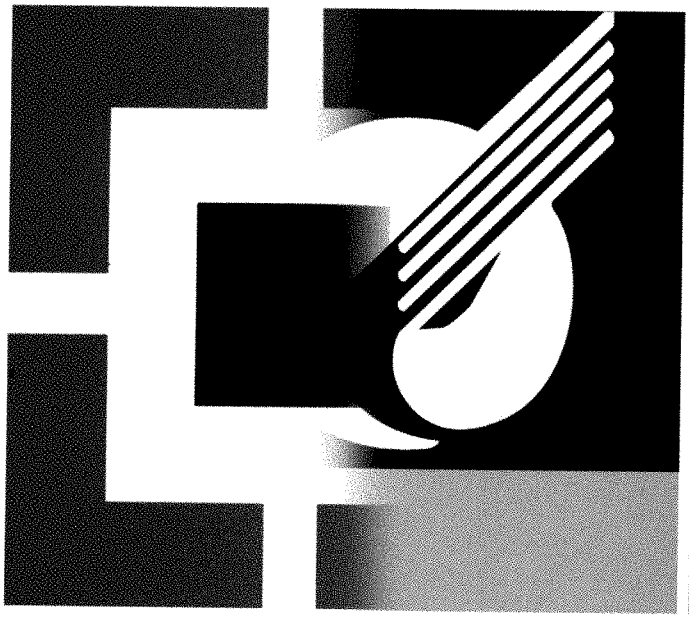
Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/04



TOP 10 BANKS IN MARKET CAP	
Banks	Market cap
STATE BANK OF INDIA	1,31,525.53
ICICI BANK	1,23,918.05
HDFC BANK	51,441.31
AXIS BANK	35,336.62
KOTAK MAHINDRA BANK	29,193.91
PUNJAB NATIONAL BANK	18,850.21
BANK OF INDIA	18,583.14
BANK OF BARODA	13,573.50
CANARA BANK	11,016.70
UNION BANK	9,529.09

Note: Market cap in Rs crore as on 27 February 2008

HDFC Bank Gets Going

by Raghu Mohan

But India is still far off from big-ticket consolidation

"THE COMBINED ENTITY WILL BE AN EVEN GREATER force in the market," says Aditya Puri, managing director of HDFC Bank, after gobbling up Centurion Bank of Punjab (CBoP). Puri had always been on the lookout for a force multiplier, but is candid enough to admit it was tough to get a good buy despite all the talk of bank mergers set to gain momentum. "Just where are the banks?" he retorts when queried on inorganic growth.

Bank mergers in India have largely been bailouts with a good bank carrying the can like in the case of Oriental Bank of Commerce and Global Trust Bank; or reverse-mergers to shape a new business model such as ICICI Bank and IDBI Bank. The irony is, even Centurion Bank got a new lease of life after Rana Talwar, a former global head of Standard Chartered Bank (StanChart) stepped in with his Sabre Capital. And so, the HDFC Bank-CBoP deal should go down as the first unforced rational merger!

And it comes a year before the Reserve Bank of India's (RBI's) review of the operational freedoms for foreign banks. While it remains to be seen to what extent the central bank will be willing to accommodate the interests of foreign banks, the fact is that HDFC Bank had to put on bulk to take on competition, irrespective of its colour or contour.

Steady, But No More Slow

The first merger in private sector banking involved HDFC Bank and Times Bank in 1999. But here, too, it was more a case of the Jains of Bennet, Coleman & Co wanting to exit just five years after getting a banking licence. In the meantime, ICICI made a few strategic moves. It first merged SCICI with itself, and acquired two non-banking finance companies: ITC Classic and Anagram Finance. Then it reverse-merged into its banking arm, acquired Bank of Madura, and, along the way, grew the asset side manifold. State-run banks shed layers of fat, private sector rivals upped the ante, and three foreign banks — StanChart, Citibank and HSBC — added reach and mass to take on HDFC Bank. Though he lagged behind, Puri waited.

But, with CBoP, HDFC Bank has, in fact, gobbled up four banks in all: Times Bank, Centurion Bank, Bank of Punjab and Lord Krishna Bank. Puri, therefore, has made it good, and has managed to close the gap with others, but just a wee bit. Post-merger, HDFC Bank will have an asset size of Rs 1,09,718 crore. In the pecking order, it will be seventh. The State Bank of India is the pack-leader at Rs 5,66,565 crore followed by ICICI Bank (Rs 3,44,658 crore). But banking is not just about asset size. In terms of distribution, HDFC Bank stands to gain: 1,148 branches and 2,358 automated teller machines (ATMs) will make it the largest by branches in the private sector. It also gains from substantial cross-selling opportunities in the short-term.

However, it will not vend home loans given the conflict of interest with parent HDFC and may even sell down CBoP's home-loan book to it. A point of concern is the fact that the retail portfolio of the merged entity will have more by way of unsecured and two-wheeler loans. This business has come under pressure in recent times.

A report by Deutsche Bank (India) says "getting a 50 per cent boost to the branch network in one shot, which even under a benign regulatory stance may take nearly three years to achieve organically, is a big positive". The other important point is that having acquired two banks in 15 months (Bank of Punjab and Lord Krishna Bank), CBoP is not working anywhere close to optimal profit-earning capacity. HDFC Bank may attempt to improve it.

Emerging Trendlines

Is the HDFC Bank-CBoP deal a harbinger of things to come? Let's take foreign banks. They may frequently give vent to their frustration about failing ambitions in India, but despite chatter that they will come shopping big time post-2009, it is more likely that they may stand to get more freedom for branch expansion. In any case, the RBI doled out about 20 branch licences last year, though the required number under WTO terms is a dozen. A small matter of detail: the RBI will also have a new governor in 2009, and he may view the issue differently. Then, as StanChart's Asia head Jaspal Bindra observes, soaring local bank valuations (see 'Top 10 Banks In Market Cap' on page 82) are a headache as far as prospective suitors are concerned; not many foreign banks may put that kind of money on the table, more so after the subprime crisis. So if the sector is thrown open, valuations will go through the roof, making it an expensive proposition to land a local bank.

Besides, there is a big question mark over whether foreign banks will be allowed to swallow local banks, except perhaps for weak private banks (such as United Western Bank, which was acquired by IDBI Bank). "As of today you have hardly any banks in play," says Yes Bank's Managing Director and CEO Rana Kapoor. Among new private banks, the only worthies left are UTI Bank in which HSBC once held a 14 per cent stake and IndusInd Bank, which has hit an airpocket of sorts. P.K. Tayal's Bank of Rajasthan will sooner or later see a deal. Then there are old private banks just about staying alive and seeking private equity partners to reach the capital threshold of Rs 300 crore. There are too many personalities in these banks, plus strong regional affinities, for them to come together. What about Yes Bank? "We are too small," says Kapoor. "And let me tell you the way forward is for local private banks to seek a strategic partnership with a global player so that we can have a cross-border footprint."

However, true consolidation can only emanate from the state-run bank category. Nearly a decade after the first Narasimham Committee recommended that some large state-run banks be shaped through mergers, nothing has moved ahead. And unlike the HDFC Bank-CBoP merger, where there is going to be hardly any branch rationalisation or flab-cutting, the story will be painful in the case of state-run banks.

raghu.padmanabhan@abp.in

ASSET SIZE OF THE TOP 10 BANKS

Bank	Total assets
SBI	5,66,565.24
ICICI BANK	3,44,658.11
CANARA BANK	1,65,961.04
PNB	1,62,422.50
BANK OF BARODA	1,43,146.17
BANK OF INDIA	1,41,636.99
HDFC BANK + CENTURION BOP	1,09,718.39
IDBI BANK	1,03,839.32
UBI	1,02,677.88
CBI	93,008.08

Figures are in Rs crore as of March 2007

THE CITI CONNECTION

SO HOW DID HDFC BANK MANAGE TO SWING THE deal? Talks started sometime in January this year, but the interesting bit is the strong Citibank connection. Rana Talwar, chairman of Sabre Capital, was head of Citi's consumer business in the Asia Pacific and Middle-East sectors before he left for StanChart in 1997. Both Puri and Shailendra Bandari (managing director & CEO of Centurion Bank of Punjab) were also at Citi. Puri, in fact, hired Bhandari for HDFC Bank during its start-up days. Puri also hired HDFC Bank's Executive Director Paresh Sukhtankar from Citi in 1994. Is it building up to something big? Well, late last year, RBI Deputy Governor V. Leeladhar said that both ICICI Bank and HDFC Bank are as good as foreign banks, given the high proportion of foreign stakeholding in these banks. A foreign bank can buy another of its ilk in India like StanChart did with ANZ Grindlays in 2000. Citibank also has a 12.3 per cent stake in HDFC!

Brand Badshah

by K. Yatish Rajawat

The story of an Indian creating a retail fashion chain in India

WHEN PEOPLE THINK OF HIGH-END FASHION, THE name 'Murjani' doesn't exactly leap out like, say, a Versace or an Armani. Fact is, decades ago, the Murjani name was synonymous with creating fashion brands out of names such as Gloria Vanderbilt and Tommy Hilfiger at a time when Indian fashion industry just did not exist.

Mohan Murjani was legendary, not for starting a design house or his own label, but instead for using a series of innovative, often renegade marketing tactics to make the brands that he acquired famous. Some 30 years later, his son, 37-year-old Vijay Murjani is creating a high-end fashion retail chain in India.

Vijay first moved shop to India in 2001 to check out the potential for luxury brands in the Indian retail sector. He quickly realised that none of the US or European fashion brands had been able to establish presence in India. Some of the most popular brands were limited to just one or two stores in Indian luxury hotels. Though the mall culture was beginning to evolve, none of the malls was creating space for fashion or luxury brands.

Vijay began quietly snapping up India franchises for some of the world's best known fashion brands, which he is now introducing to India for the first time. These include hip, mid-priced clothing line French Connection (or FCUK) and Calvin Klein. On the really upscale end, Vijay is hoping that wealthy Indians will flock to stylish luggage maker Tumi, must-have clothing and accessories purveyor Gucci, fancy stiletto shoemaker Jimmy Choo, and exclusive lingerie outfit La Perla, among others. Murjani has opened 18 stores in places such as Delhi, Mumbai and Bangalore, and plans to add another seven stores over the next few months for his various brands. "Murjani's growth has pretty much slipped under the radar of the Indian fashion fraternity," says Sumeet Nair, executive director of Fashion Design Council of India. "If he succeeds in creating scale, it can be a model for Indian fashion brands to follow." Most Indian fashion brands are not able to open beyond a couple of stores.

Still, the big question that remains is, do we Indians live in a consumer culture that genuinely appreciates luxury brands? Moreover, while Murjani would like to classify all his brands under luxury, the concept of luxury is not mass market. Hence, the discerning buyer wants exclusivity, while the middle class buyer yearning for acceptance may splurge on some of Murjani's brands. The issue is, how big is this market and where are the buyers?

"While we can argue over whether these brands (the ones Murjani is bringing to India) are luxury or not," says Simran Singh, a consultant to fashion retailers in India, "the point is that after customs duties, these products become expensive and the market for them is limited to the top four or five cities in India."

Labels such as Calvin Klein need to differentiate themselves from Indian competitors. In the US, Calvin Klein shirts can be found at middle-of-the-road Macy's but also at chi-chi Saks while its jeans can often be bought just about anywhere. In India, the success of such brands will depend on how Vijay chooses to differentiate himself from not just the likes of Allen Solly but also from the premium segment, which includes Arrow and Van Heusen, brands that already have a firm foothold in the market.

Still, when it comes to branding and marketing, the Murjanis are a tough act to beat.

The Brandwagoner

Mohan Murjani, who left his home-base in Hong Kong for New York in the 1960s, is most famous for making and marketing designer jeans fitted for women and stamped with designer Gloria Vanderbilt's name. As the company's less-than modest website will inform you, "Murjani was the first apparel company to advertise in non-conventional marketing channels such as buses, phone booths and TV... these innovative brand marketing and management approaches adopted by the Murjani Group have changed the very paradigm of marketing, merchandising and retailing, as we know it today." Vanderbilt jeans went on to make Murjani a fortune.

The website also boasts about Murjani's other major triumph, a bankrupt and struggling Tommy Hilfiger whom he propelled to global stardom. According to Vijay, his father did this by buying an equity stake in Tommy Hilfiger in 1985. He then hired adman George Lois, a legend for his irreverent, controversy-generating campaigns that caught the public eye, to craft a campaign for Hilfiger. Lois apparently designed a single line of ad copy: "THE 4 GREAT AMERICAN DESIGNERS FOR MEN ARE: R-L, P-E, C-K, T-H" and plastered it over a gigantic billboard on Times Square.

The ad placed Hilfiger on a par with the greats — Ralph Lauren, Perry Ellis and Calvin Klein. The ad enraged much of the fashion fraternity, especially Calvin Klein (for being included in the list) and Geoffrey Beene (for not), and took a complete unknown and made him a world famous designer almost overnight. Under Murjani's management, the Tommy Hilfiger menswear collection grossed $5 million in the first year and $10 million in the second. Today, it rakes in $4 billion worldwide and is a listed company.

What isn't part of the family lore, and which Vijay Murjani does not like to talk about, is how the group went bankrupt with investments in a Coca-Cola line of clothes and a new chain of hi-tech clothing stores called 'Fizazz'. Along came Michael Milken and the collapse of the stockmarket, and Murjani found himself with overstocked warehouses and mounting bills. With $160 million in debt, Murjani was forced to hawk most of his rights to the Vanderbilt brand and the investment in Hilfiger.

Now, the son is trying to create a business for himself, hopefully away from the shadow of his father, but with his backing nevertheless. Vijay's timing, though, is better.

Home Turf

The India that Vijay is targeting today is seeing consumption steadily rising. The falling dollar against the rupee and rising incomes are creating 'dollar millionaires' in India, currently numbering around 100,000 and predicted to rise by

VIJAY MURJANI

PERSONAL
Born in Hong Kong. Has two daughters.

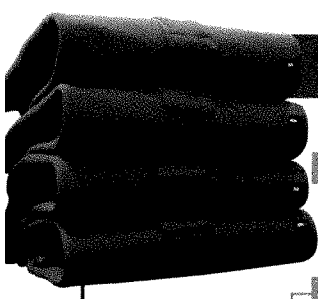
EDUCATION
Harrow in the UK and Tufts University in the US.

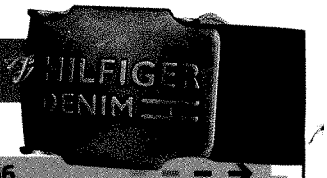
CAREER
Worked for two years at the New York law firm of Chadbourne and Parke, where he acquired first-hand experience of corporate tax planning and litigation.

Worked for two years at The Limited in New York, one of the largest retail chains in the US, in core areas such as retail operations and leasing.

Moved to Mumbai in 2004 with wife Arti to set up the Murjani Group's activities in India.

PHOTOGRAPHS: AMIT VERMA





Murjani Group's success story is the stuff dreams are made of.

1930 → Started by B.K. Murjani in Hong Kong as an apparel export company.

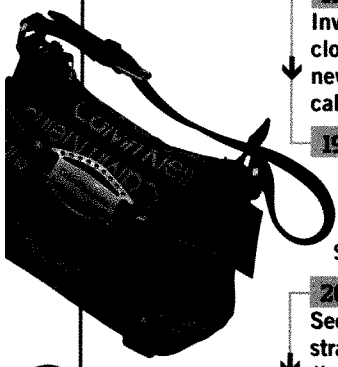
1958 → Reportedly, turned the largest apparel producer in the world, making more than 10 mn units.

1966 → Transition to brand marketing, launched its first brand in the USA — Marco Polo.

1976 ← Launched Gloria Vanderbilt designer jeans for women, drew from iconic status of the Vanderbilt name.

1985 ← Launched Tommy Hilfiger brand with controversy-generating innovative campaigns that caught the public eye.

1986 ← Invested in Coca Cola line of clothes which failed. Opened new high-tech clothing stores called Fizzazz that failed, too.



1987 → Stock market crash affected the group's revenues adversely and debts worth $160 million piled up.

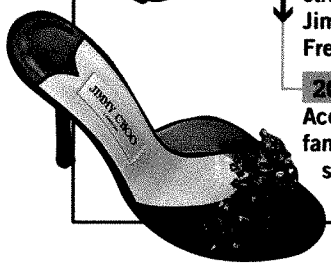
1989 → Had to sell its equity rights in Tommy Hilfiger back to Hilfiger and a group of investors.

2000 → Saw an opportunity in India as growth in consumption rises, started looking at diversification here.

2001 ← Developed a strategy around multi-brand retail platform, with world-renowned premier brands.

2004 ← Vijay Murjani moved to India. Opened eight free-standing Tommy Hilfiger stores across six cities.

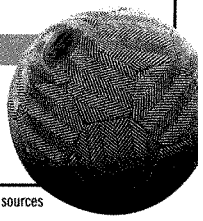
2005 ← Second phase of its India strategy: introduced Gucci, Jimmy Choo, Calvin Klein, French Connection, etc.



2006 → Acquires India franchises for famous international brands, such as La Perla and Bottega Veneta.

2007 → Opened 18 stores in several metropolitan cities, such as Delhi, Mumbai and Bangalore.

2008 Plans to open 40 stores in various cities across India.



Source: The Murjani Group website and secondary sources

over 12 per cent a year, according to a recent survey by American Express. Indians are getting rich fast, and spending their cash at rates as never seen before. They are dressing well, travelling abroad and becoming increasingly style conscious. High-end clothiers such as Dolce & Gabbana and Salvatore Ferragamo are already here. Louis Vuitton Moet Hennessey has ambitious plans for India and is bringing its upscale labels such as Fendi, Dior, and Celine to India soon.

While rising incomes and easing of foreign direct investment (FDI) norms to allow single-brand foreign firms to open stores helps Murjani's ambitions, there are several obstacles to growth.

The lack of appropriate retail infrastructure for fashion or luxury brands is not present in India. "We have to work with mall owners who want a luxury store in their malls but do not know how to create the ambience to attract one," says Vijay, who feels that this is due to very little comprehension about the luxury retailing business. "For instance, a luxury retail mall cannot have a food court or a grocery retail chain — but not every mall owner understands this," he says. "Exclusivity and ambience are so necessary and so difficult to create, more so if you are not an owner but just a tenant in these malls."

Then, there is the problem of a serious dearth of professionals with expertise in brand building, which is a complicated exercise for the luxury space. "I rarely come across a candidate who has the experience and the attitude to build a luxury brand in India," says Vijay. "When I do, I tell him to join me from yesterday."

However, bolstered by the accumulated wisdom of the family's often sensational successes in the retail space and a smart, multi-tier strategy that covers a large consumer segment, from luxury to premium, Vijay is the man to beat in the race to attract the new, free-spending, brand conscious Indian.

Salil Chaturvedi, founder of Provogue, a Mumbai-based retail powerhouse, is impressed with Vijay Murjani's model. "Murjani is aggregating the best brands across the world," he says. "If, like China, India's luxury expenditure rises, he will benefit the most, because irrespective of which global brand a customer buys, Murjani will get a piece of the action."

If that does happen, Vijay can finally step out of his dad's shoes and buy a large-sized pair of Gucci loafers of his own.

yatish.rajawat@abp.in

Selected
perbrand
INDIA
2006-07
umer Validated

No.1
INDIA'S LARGEST READ DAILY

MANY RUN THE RACE, BUT THE

WINNER IS ONE

दैनिक जागरण

Publication	Dainik Jagran	Bhaskar Group (Dainik Bhaskar + Divya Bhaskar)	HT Media (HT + Hindustan)	Bennett Coleman & Co. (TOI + ET + Mid + Mid Times + NBT + Sandhya Times)	Lokmat Group (Lokmat + Lokmat Samachar + Lokmat Times)	ABP Pvt. Ltd. (ABP + Telegraph)
Total Readership (in crore)	5. 36	3. 58	2. 96	2. 58	2. 29	1. 88

BIOFUELS

Gliding On Green

Biofuels could rescue the aviation sector from soaring fuel costs

FLYING GREEN: Branson announced that Virgin will use algae-based biofuels

SOMETIME IN THE NEAR FUTURE, IF YOU HAVE plenty of waste cooking oil, you could find a buyer in Douglas Rodante. This 41-year-old Florida businessman does not need it in his kitchen. He will use it to fly planes instead. Rodante is now preparing to fly a plane all the way from San Francisco to Florida, powered only by fuel from a plant source. Late last year, he had flown an aircraft for the first time ever using 100 per cent biofuel, a generic description for what was really discarded oil from restaurants.

Rodante is a qualified pilot, but has had no previous links with aviation. He makes his living through real estate deals and producing TV programmes. Over the years, he has made programmes for most of the major channels in the US: Fox, Discovery, National Geographic, etc. Currently, however, most of his time, energy and spare cash are going towards developing biofuels for aviation. He will also make a high definition video programme of his efforts in the bargain. Rodante funded his company, Green Flight International, purely from his other business profits. Says Rodante: "Our long-term goal is to develop and make biofuels for aviation."

The Beginning Of A New Era?

Green Flight may be too small to attract international public attention, but Rodante had begun a trend that was continued by the big companies in commercial aviation. Last week, Virgin Atlantic made the first commercial flight using biofuels in part. It flew a jumbo jet from London to Amsterdam, and 20 per cent of the fuel was a mixture of coconut oil and babassu oil. The oils were apparently chosen because they do not compete with food sources for land, an assumption that is incorrect. Environmental groups had dismissed Virgin's flight as a gimmick; there isn't enough land on the Earth to produce enough biofuels for a booming aviation sector. However, Virgin CEO Richard Branson announced at the commencement of the flight that their aim was to use biofuels from algae.

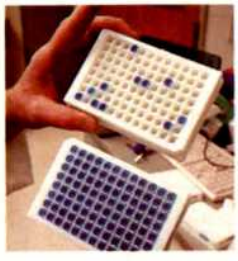
SCIENCE BUZZ The fortnightly update on innovations and tech policies

1 Degree, 1,000 Lives

We often think of global warming as something that causes sea level rises and extreme temperatures. But it also causes pollution to hang more in the air. Now a Stanford University professor says that it is twice as dangerous in its impact on health than previously thought. Mark Jacobson modelled the effect of carbon dioxide rise on pollution and health, and found that for every one degree rise in temperature, 1,000 more people die in the US alone through pollution. Carbon dioxide related pollution is causing more than 21,000 additional deaths in the US. Does anyone want to guess about India?

DNA As Tags?

DNA is the stuff of life, as it has the information to make the living organism. Now scientists at the University of California in Riverside have found another use for this compound: storing information. That is not new, but this method depends on the length of DNA fragments rather than its sequence, thereby making it inexpensive. This gives companies a good way of using DNA pieces as tags for certifying objects to be original, among other uses. This DNA tag is difficult to duplicate.

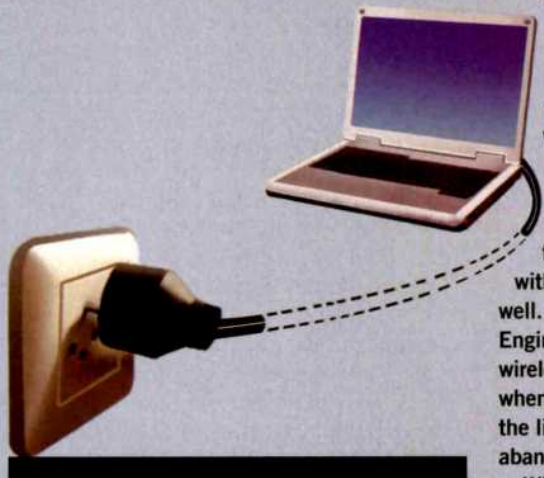


Prozac No Good?

Prozac, a brand name for Fluoxetine Hydrochloride, was a multi-billion dollar drug till 2001, when Eli Lily's patent on the drug expired. This drug was also the great hope of millions of depressed people, many of them young, in Europe, US and other parts of the world. Now a study by the University of Hull says that it does not work except in severe cases, and neither does other antidepressants in the same class of drugs. In all other cases, placebos seem to work just as well as the antidepressant drugs. The study has stirred a hornets' nest. Doctors and 40 million users of this drug are now rubbing their eyes in disbelief.

HOW THINGS WILL WORK

Electricity Gains Freedom From Wires



WIRE-FREE: Short range transmission of electricity, using resonant coupling is waiting to be tapped commercially

IN THESE WIRELESS DAYS, ONE COULD BE forgiven for thinking that anything that goes through wires today could be transmitted wirelessly tomorrow.

Yet very few people would have thought that electricity would one day be transmitted without wires.

However, wireless power transmission is now a rapidly advancing field with multiple technologies and devices, but with a fair share of hurdles as well. Moreover, it is not a new field. Engineers had tried to set up wireless power transmission towers when Thomas Alva Edison invented the light bulb. The idea was abandoned due to lack of funds.

Wireless power transmission technologies differ for short-range, medium-range and long-range transmission. The most promising one for short-range power transmission has been developed by Marin Sojacic, a professor of physics at the Massachusetts Institute of Technology (MIT). He uses the principle of resonant coupling: the ability of objects to absorb vibrations when tuned to the right frequency. A classic example of resonant coupling is how opera singers shatter glass. Sojacic has developed a technique where he creates 'non-radiating' electromagnetic waves that can be absorbed by a device a few metres away, even if not in the line of sight.

This harmless and powerful method can be used to charge gadgets such as laptops and mobile phones. The method is certain to be picked by the private industry soon. We could see wireless charging devices in two or three years, if not earlier.

These are small beginnings for an industry that has been severely criticised for threatening to contribute substantially to future carbon dioxide emissions. The aviation industry now produces 2 per cent of the world's carbon dioxide emissions. However, the Intergovernmental Panel for Climate Change had estimated in 1999 that aviation's real impact on climate change could be four times more than just the impact through carbon dioxide emissions. Recent studies by the European Union have suggested that this was an overestimate, but still twice as high.

The Industry Outlook

Technology improvements are making aircraft more fuel efficient, thereby reducing emissions, but the 5 per cent annual growth of the aviation industry more than counteracts this reduction. The aviation industry is caught in a double bind — rising fuel costs and criticisms from environment groups — and, thus, needs to find a solution quickly. However, unlike in automobiles, changing the aviation fuel presents major technical challenges. Alcohol and hydrogen have been suggested by some observers as future fuels, and both have been tested. Boeing recently had tested — through simulations — a hydrogen-powered plane to a height of 65,000 feet. However, commercial airplanes won't be ready to use hydrogen for a long time. It takes up too much space in the tank, apart from presenting other technical challenges.

Using biofuels is considered a safe option till technology improves enough to use hydrogen, if at all (hydrogen is the only fuel that can result in zero emissions, if you ignore water vapour). However, biofuels have a major problem: there is not enough land in the world to produce crops that currently are converted to biofuels. Environment groups have been saying this for a while, and now it has been examined by the rigour of science. Timothy Searchinger, professor of environment and economics at Princeton University, published a paper last month in the journal *Science* saying that almost all biofuels actually produce more emissions than fossil fuels if we take into account the full costs of producing them. This is why environment groups have criticised Virgin's flight as a gimmick.

The aviation industry, however, is going ahead with testing biofuels, even though their use presents many technical challenges. It is not easy to qualify any oil as jet fuel because regulators insist on satisfying some conditions. The most serious problem is the tendency of oils to freeze at higher temperatures. Aviation fuel is not supposed to freeze — aviation jargon calls this gelling — till the temperatures reach minus 41 degrees. None of the vegetable oils, if used in pure form, can satisfy this condition. However, there are ways around it.

Both coconut oil and babassu oil freeze in relatively cooler climates on the Earth, not to speak of the low temperatures found in high altitudes. In Virgin's flight, Imperium Renewable, the Seattle-based company that supplied the fuel, had used proprietary techniques to prevent it from freezing. GE and CFM International (a joint venture between GE and Snecma of France) had together tested engines for four hours each last year using this mixture. CFM International has tested several blends of vegetable oils and petroleum-based jet fuel. It is also experimenting with biomass-derived blends that have properties closer to that of jet fuel. GE has been testing different kinds of fuels, under a programme sponsored by the Defence Advanced Research Projects Agency (DARPA), the research organisation for the US department of defence. GE officials say that the aim is to develop engines that can use 100 per cent biofuels.

Rodante's Green Flight solved the gelling problem through another method: by keeping the fuel tank warm by circulating the hot engine oil around it. However, all aviation companies use vegetable oils only to demonstrate the possibilities. Their ultimate goal is to use oil-rich algae. You could take this oil from the algae and process it in a refinery, just like we do now with crude oil. Large-scale algae farming is still a problem, but probably not for long. "All the technical issues with algae can be solved," says Grazia Zanin, head of research at Texas-based Baylor University's Institute of Air Science. "It is a question of only spending enough money."

It is no wonder that Rodante has his eyes set on a company that would produce oil from algae. Imperium Renewable is also investing heavily on a project to produce oil from algae. So are many other start-up companies in the world. Boeing had recently produced a report that said that algae can supply 100 per cent of the world's aviation fuel needs. Algae cultivation would reportedly require an area the size of the state of Maryland (12,400 sq. miles) in the US. To put this in perspective, just to supply 10 per cent of the US aviation fuel through biomass, needs an area of around 36,000 sq. miles. That is enough reason to suppose that algae will win hands down. Oil from algae might thus start powering our planes within a decade, till the day hydrogen takes over.

P. Hari in San Francisco
p.hari@abp.in

State Bank of India
With you - all the way

Pure Banking. Nothing else.

Apart from saving time, SBI Internet Banking is all about gaining too!

mail@prachar.in

SBI Internet Banking

Banking at your convenience that offers various advantages.

- Bill payment
- Booking of airline tickets
- Booking of train tickets
- Tax payment

PLUS

Cash back upto*

500/-

FOR INTERNET BANKING TRANSACTIONS

BILL

TAX

* Conditions Apply.

Log on to www.onlinesbi.com

For further inquiry:
BSNL/MTNL 1800 1122 11(Toll Free) for others 080 2659 9990

Offer period
1st Feb - 31st March 2008

"The Bank is proposing, subject to market conditions and other considerations, an offer on a rights basis through a fast track issuance of its equity shares and has filed a Letter of Offer with the Stock Exchanges. The Letter of Offer is available on the website of the Securities and Exchange Board of India (SEBI) at www.sebi.gov.in and the following websites: www.citibank.co.in, www.india.clsa.com, www.db.com/India, www.dspml.com, www.kotak.com and www.sbicaps.com. SBI Capital Markets will be involved only for marketing of the issue."

MOBILE TELEVISION

On The Run

Mobile TV, the next big stage, awaits infrastructure to propel its boom

WHILE INDIA HAS YET to devise a 3G policy and mobile operators continue to squabble over existing spectrum, state-owned Doordarshan has quietly gone about testing the potential for Mobile TV — potentially India's next 'big thing'—through a pilot project of around 1,500 people.

Doordarshan — most often derided for being antiquated and dull — seems to be setting the technology pace for its peers. Its pilot utilises Digital Video Broadcasting–Handheld (DVB-H) technology, offering its eight channels in the New Delhi area.

Mobile TV is still a fledgling market. However, if our appetites for information and entertainment over phones and other handheld devices continue to grow, Mobile TV could be the next gold rush that technology and content providers have been waiting for.

New Mobile TV technologies are being deployed across the world based on the two methodologies — mobile telecommunications networks and the broadcast. No methodology is ideal, as all have drawbacks based on spectrum, transmission power, new infrastructure required and network capacity.

A report by global research firm Gartner pegs the worldwide Mobile TV subscribers to touch 356 million in 2010 from 38 million in 2007 using the mobile network, with around 140 million subscribing to the broadcasting system by 2010.

The Mobile TV technologies that are vying for deep pocketed suitors in India include Digital Video Broadcasting–Handheld (DVB-H), popular in Europe, Media Forward Link Only (Media FLO) promoted by Qualcomm and widely deployed in the US.

"We have successfully shown that DVB-H can be deployed in India using ultra high frequency (UHF) bands 3, 4 and 5," says L.V. Sharma, chief engineer at Prasar Bharti, Doordarshan. He claims that broadcasting technologies for mobile television services delivers better picture quality as compared to 3G video streaming. It can also be used while travelling in a moving vehicle like a car or even train.

DVB-H is an extension of Digital Video Broadcasting–Terrestrial (DVB-T). It is designed for significant power saving in the receiver to complement the limited battery life of mobile devices. To save power, time-slicing technique is used in which signals of different television services are transmitted in bursts. This allows the receiver to go into sleep mode and it wakes up only when the signals of the service to which it is tuned are transmitted.

Nokia, the world's largest cellphone maker, with mobile TV capable handsets priced in the range of Rs 18,000 to Rs 35,000, is the biggest advocate of DVB-H. Samsung and LG also make handsets for DVB-H in the same price range.

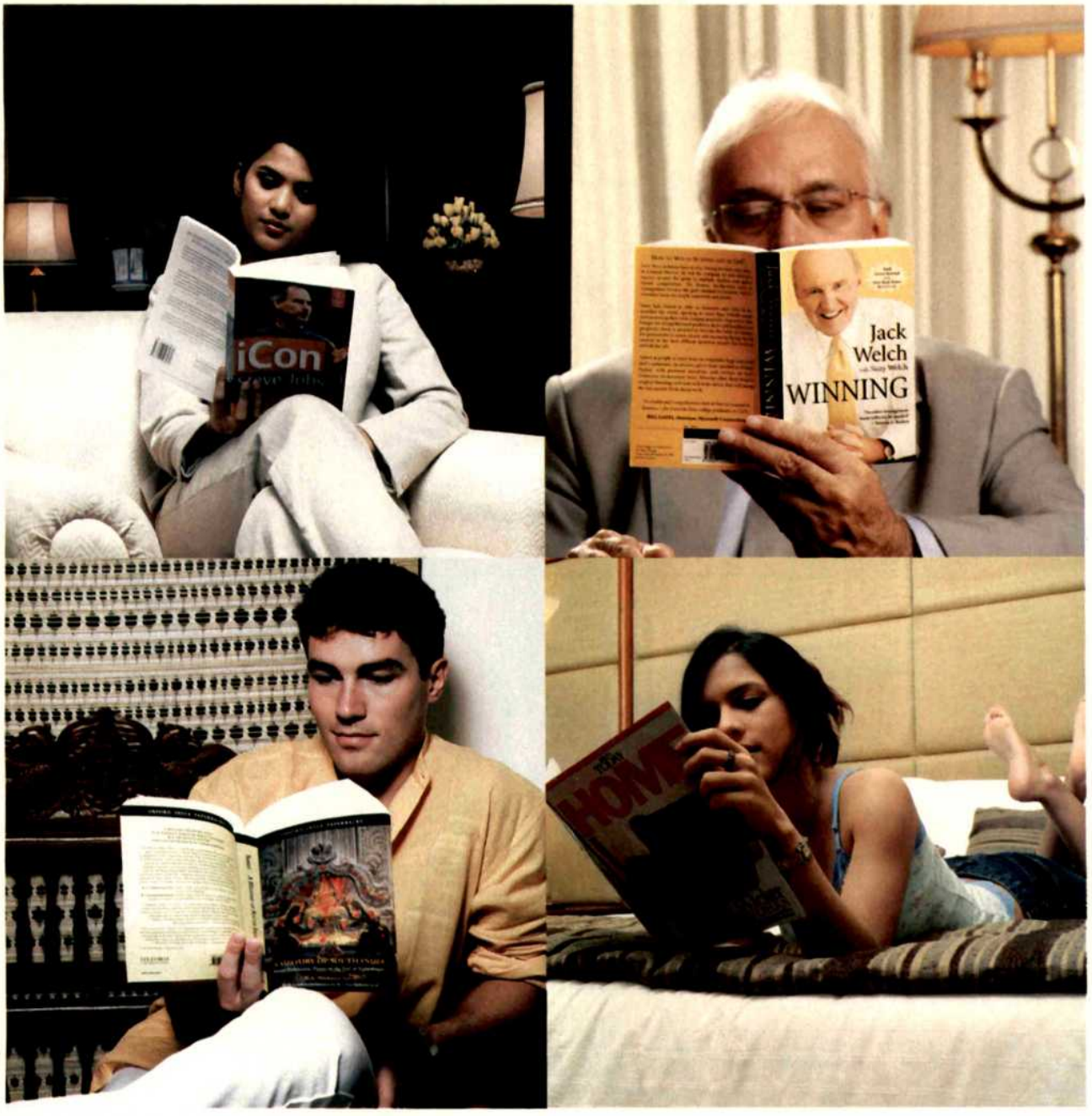
The powerful challenger to DVBH is MediaFLO developed by San Diego-based Qualcomm is betting high on India. "MediaFlo can run 32 channels, without compromising on the quality of the picture on screen, while DVB-H's 1 UHF Channel can go up to only 16 channels, evident from DD's pilot project," says Sachin Kalantri, senior staff engineer at Qualcomm India.

If Doordarshan gets it right, you could be watching the next 20-20 cricket world cup on your phone while commuting to work.

M. Rajendran

PORTABLE VIEWING: Nokia is one of the biggest advocates of DVB-H technology in cellphones

BLOOMBERG



WHATEVER YOUR PREFERENCE, WE'VE GOT THE RIGHT HOTEL BOOKMARKED FOR YOU.

No two travellers are alike. Neither should any two hotels be. That's why at GRT, you'll find our hotels as diverse as the patrons they serve. So whether it's business or leisure, luxury or culture you're after, you'll find a GRT hotel made to order.

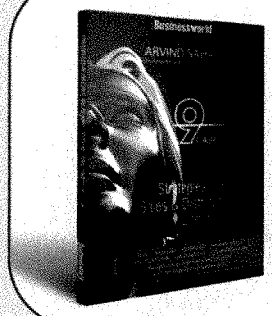
GRT
HOTELS & RESORTS
THE PROMISE OF MORE

GRT GRAND, CHENNAI | GRT TEMPLE BAY, MAMALLAPURAM | GRT REGENCY, MADURAI | GRT REGENCY, KANCHIPURAM | RADISSON GRT, CHENNAI

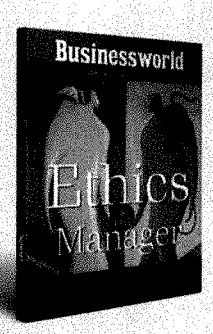
Corporate Sales and Marketing Office: 39 (New), North Usman Road, T Nagar, Chennai - 600 017, Tamil Nadu, India. For reservations call 044 66500050 or email: crs@grthotels.com
Regional Sales Offices: Ahmedabad: 079-2791 2105 / 06 • Bangalore: 080-4113 5559 • Mumbai: 022-6679 0735 • New Delhi: 011-41729572/26474205
Visit us at www.grthotels.com

PRESENTING

NEW YEAR GIFTS THAT MAKE A LOT OF BUSINESS SENSE.

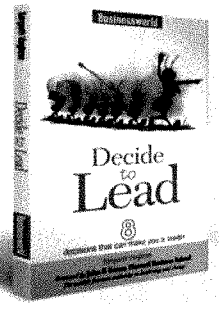


+

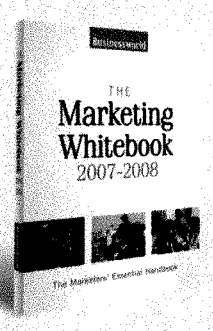


Case Studies in Pricing, Sales & Distribution and Communication, by Prof. Arvind Sahay Rs. 250/-
&
Ethics & The Manager Rs. 199/-

SPECIAL COMBO PRICE RS. 299/-



+



Marketing White Book Rs. 400/-
&
Decide to Lead Rs. 399/-

SPECIAL COMBO PRICE RS. 499/-

Businessworld
YOUR UNFAIR ADVANTAGE

To book your order, fill this form & mail it to us:

Name: Mr/Ms. _____ Address: _____

City: _____ State: _____ Pin (essential): _____

Tel.: _____ Mobile: _____ E-mail: _____

Date of Birth: _____ Education: _____ Occupation: _____

Company Name: _____ Designation: _____

In case you wish to gift the books, please fill in the following information:

Name of the recipient _____ Phone no. of the recipient: _____

Address of the recipient: _____

Please tick the desired option: ☐ Case Studies in Pricing, Sales & Distribution and Communication & Ethics & The Manager Rs. 299/- ☐ Marketing White Book & Decide to Lead Rs. 499/-

Cheque No./DD No. (In favour of ABP Pvt. Ltd.): _____ Dated: _____ for Rs. _____ or charge the total amount of Rs. _____ to my credit card. ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card member's name _____ Card expiry date ☐☐ ☐☐ ☐☐☐☐

Signature _____ Date _____

Mail this coupon along with Cheque/DD for Rs. _____ to: The Subscription Dept., c/o Businessworld, Express Building, 9-10 Bahadur Shah Zafar Marg, New Delhi- 110002, Ph: 011-23702170.

Contact: Delhi: Sangeeta Biswas, Tel: 011-2370 2170-79; Mumbai: Reshma Yamsanwar, Tel: 022-2496 2601-09; Kolkata: Sandip Biswas, Tel: 033-226 00745; Bangalore: Partha Bhadra, Tel: 080-2558 8127; Chennai: L. Pradeep Raj, Tel: 044-2813 1278/9; Hyderabad: Suman Sarkar, Tel: 040-2331 7147
Email id: businessworldsubscriptions@abpmail.com.

Terms & Conditions: No extra charges for outstation cheques. Please allow 4-6 weeks for processing your order. Any request for cancellation of the order will not be entertained once the books have been dispatched. All disputes are subject to the exclusive jurisdiction of competent courts & forums in Delhi/New Delhi only. Offer valid for direct mail order. Offer valid for limited period or till stocks last. Terms & conditions apply.

LUXURY

Jet set, go

FLYING PRIVATE CLASS: CEOs' new productivity tool

EMBRAER

Indian companies will buy at least 500 new business jets over the next five years

INDIAN ENTREPRENEURS AND CEOS OF GLOBAL businesses can no longer afford to fly First Class on commercial airlines. Not because of costs, though. The delays in flights and the security routine cost vital time. They are now buying big birds to fly as and when and where they want to for business or for pleasure. Avitation Minister Praful Patel is predicting that India will have at least 500 more corporate and private jets in five years. That means almost a 10 times increase from now.

No wonder global business jet sellers such as Embraer from Brazil and Hawker Beechcraft from the US are marketing themselves hard to the Indian companies. In the last week of February, Embraer showcased its Phenom 300 at a luxury lifestyle show in Mumbai and Hawker Beechcraft set up an 'authorised service hangar' at Delhi's Palam Airport in partnership with InterGlobe, which operates the low-cost airline IndiGo. InterGlobe will also market Beechcraft business jets in India.

"India is becoming a big market for us now," says James E. Schuster, chairman and CEO of Hawker Beechcraft, adding that his company delivered 11 planes to India in 2007 and now

In Vogue

CESSNA

HIGH DEALS: Business doesn't have to break for travel when you fly private

has orders for 23 more. The company has also got an order for 20 planes from Singapore-based BJET, the charter and fractional-ownership company in which the Tata Group has taken a minority stake. BJET will start its India operations later this year.

Embraer is also finding buyers in India. One of them, Arun Sharma, managing director of Aviators India, a company that manages private aviation for companies, has bought two Phenom 100s for $5.96 million for a mix of personal use and charter. He points out that many CEOs are now being allowed their own jet service to travel around the world to do deals.

Manfred Baudzus, director for Asia Pacific Marketing and Sales at Embraer Executive Jets agrees. "Indian entrepreneurs owning large companies are treating their CEOs on a par with their western counterparts," he says.

Embraer officials predict that India will have more private and corporate jets by 2018 than any other Asian country. They expect to sell more than 800 planes in India from now till then. Invision, a telecom startup, is buying 20 of those. Its promoter, Vinit Pathak, plans to start a charter service for companies besides using the planes for his own work and leisure.

Gulfstream, Falcon, and Bombardier are other competitors in the private lane in the Indian skies. Most of the business jets being purchased by Indian companies or charter services are mid-sized planes that can seat four to nine people and can fly for upto 3,000 km non-stop. These are customised for personal taste.

TAKING FLIGHT: Hawker Beechcraft has high hopes from India's corporate jet market

HAWKER

But there is a problem for India's new jet set: lack of local maintenance, repair and overhaul (MRO) centres. Until, InterGlobe starts servicing Hawker Beechcraft planes in India later this year, Indian business jet owners still have to take their planes to Singapore or Europe for servicing and repairs. Schuster says the Delhi serving facility will save the Hawker Beechcraft jet owners a lot of bother, time, and money. According to Baudzus, there should be at least 30 jets of each private jet manufacturer in a country before an MRO can be set up. Most private jet sellers will tie up with third-party MRO operators to service private jets in India.

The real issue for business or lifestyle aviation in India is the lack of private areas at the airport for personalised travel. Even parking corporate jets is a problem. "Parking your expensive flying machines on ramps, exposed to the elements, or having to rough it out for entry and exit at the airport are discouraging," says Schuster. But that can change.

Vishal Krishna

The world is your destination

S P Jain presents the **Global MBA Program** that opens global opportunities for you

Q. What is special about S P Jain and this program?

A: S P Jain is one of India's top business schools and now also has campuses in Dubai and Singapore. The Global MBA is designed for those who aspire for a global career or wish to join a multinational firm. All participants spend 6 months each in two vibrant business capitals - Dubai and Singapore thus being exposed to a global business environment. In each city participants do projects for local companies, interact with local business professionals and are taught by international professors.

Q. Why is it a one year program?

A: The program is designed for working executives who prefer to take only one year off so that they can get back to work sooner. The curriculum however is over 1000 hours as in a typical 2 year program. These executives are very bright and ambitious and prepared to work twice as hard and sacrifice holidays in order to save one year.

Q. Why are there so many super specializations?

A: Recruiters say that conventional MBA participants lack in-depth domain knowledge. The Global MBA offers 9 super specializations - Investment Banking, Wealth Management, Banking Management, Retail Management, Services Marketing & Management, Product Marketing & Management, Global Logistics Management & Supply Chain Management, Information Technology Management and Global Human Resources Management to ensure that a participant has mastery over a chosen area. This has been widely appreciated by the industry and gives our participants a tangible edge.

Q. What about the faculty?

A: In addition to S P Jain's own top class faculty we also put a lot of effort to get only the very best professionals from all over the world to lend their global knowledge. Our participants say that our outstanding faculty is one of our greatest strengths.

Q. What are the admission's criteria?

A: An attempt is made to identify and groom tomorrow's CEO. Several criteria like an aptitude test, undergraduate record and relevant work experience are considered. Thousands of participants apply for the few seats and so admission is very selective. The website gives all details.

Q. What is your placements record?

A: We have had a 100% placements record. To cater to the need for global jobs we have placements offices in Dubai, Singapore, Australia and India. Shortly, this list will include more countries.

Last date for application - March 31, 2008

S. P. JAIN
CENTER OF
MANAGEMENT
DUBAI • SINGAPORE

www.spjain.org

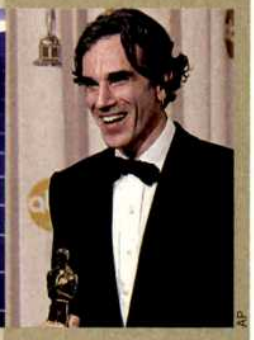
gmba@spjain.org

Mumbai: +91 22 32906596/97 Dubai: +9714 4291234 Singapore: +65 62704748

Entertainment

PENGUINS AT THE OSCARS

AP



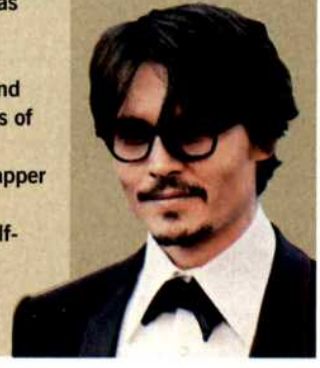
AP

UNUSUALLY, THE Academy Awards night this year was a sober affair. Not only did dark movies, such as *No Country for Old Men*, receive most acclaim, but the fashion, too, seemed a bit subdued. Most lead actors dressed like penguins — black tuxedos with matching tie and white shirt — and the leading ladies swapped plunging necklines for stark colours in their dresses to charm the cameras. The home-loan crisis in the US and the writers' strike in Hollywood told on the mood.

The most remarkable feature of the otherwise featureless men's dresses was the scarcity of notched and peaked lapels, and the pervasiveness of shawl collars on tuxedos. Even dapper George Clooney decided to be self-effacing by switching to the plain lapel look from the notch-lapelled tuxedo that he wore to the Oscars last year. However, Daniel Day-Lewis, the best actor award winner for the movie *There will be Blood*, chose to add a dash of colour on his tuxedo by having a brown piping on his shawl collar. However, his muddy-brown shoes, which were meant to go with the piping, failed to impress the fashion Nazis. Johnny Depp's butterfly tie was a variation in the crowd of regular bows.

Hopefully, next year, Hollywood men will shed the conformist penguin suits for individualistic styles.

Feroz Ahmed



AP

BODY CARE

Scientific Beauty

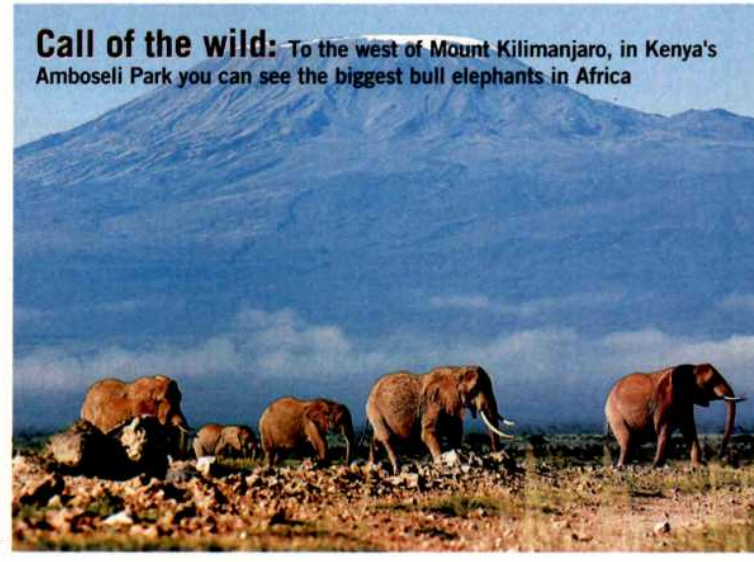
SPENDING A DAY AT the spa rejuvenating yourself would be ideal. But sometimes 20 minutes is all that one can spare. While not enough to indulge in a luxurious ayurvedic massage, it is just about the time needed to get a beauty fix using treatments that combine physics, chemistry and mechanics. Known as the Saira Menon Concept and available at the capital's Taj Palace's beauty clinic, the method is essentially a blend of herbal beauty treatments and alternative and complementary medical treatments.

AMIT VERMA

ELECTRIFYING GLOW: Traditional knowledge meets technological innovation

One such therapy is the non-surgical facelift performed using micro-current technology via the Computer Aided Cosmetology Instrument. An alternative to the invasive surgical procedures, the treatment is the result of over 20 years of research by Professor Thomas Wing, pioneer of micro-current therapy. One can also opt for the Biogenie Visage treatment, which uses the principles of cellular electrotherapy to deep cleanse the face at the basal cellular level and helps remove toxins and brighten up the face. In just under half hour, the treatment can help you get rid of those dark circles and puffiness, proof of a rough week, and have you glowing for that meeting looming just around the corner.

Sumati Nagrath



Call of the wild: To the west of Mount Kilimanjaro, in Kenya's Amboseli Park you can see the biggest bull elephants in Africa

AP

TRAVEL

Instant Louvre

PARISIANS WOULD TELL you that it takes months to visit all paintings and sculptures kept at Musée du Louvre or simply, the Louvre museum in the city. And they would be right.

Yet, don't get disheartened if you are travelling to Paris on a tight schedule. Doing a highlights-only day trip is one option.

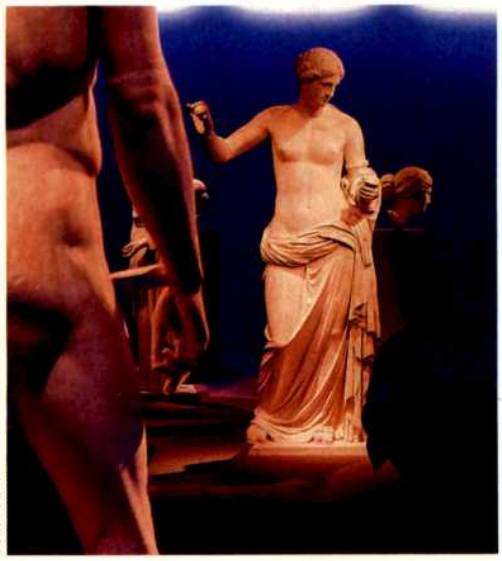
The best way to use your couple of hours at the Louvre is to pick a thematic section — Italian Renaissance, Islamic Art, or the trail of Robert Langdon of *The Da Vinci Code*. The dining-minded, however, have the option of exploring the Art of Eating at Table: The Rituals and Symbols of the Meal, through paintings and sculptures. And highlight seekers may pick the tour of the Masterpieces of the Louvre that takes about one and a half hours.

Leonardo da Vinci's portrait of Mona Lisa is a must see. Don't miss the way her outlines are softly shaded against a misty background to accentuate the light on her face.

Also see the sculpture of Aphrodite, the love goddess and Michelangelo's statues of men.

Even a glimpse of the Louvre masterpieces is a memory for a lifetime.

M. Rajendran



BLOOMBERG

THE LOUVRE: You can see the Italian Renaissance section in an hour

LIGHTING

Brighten up

THOUGH LIGHT IS THE PRIMARY SOURCE OF perception of the world around us, somehow lighting ends up being a boring utility in home and office décor. However, the fate of this Cinderella of décor is beginning to change. Lighting companies are trying to offer more tasteful and innovative lighting fixtures. The accent is on colour and dynamic lighting to highlight spaces and to suit the user's moods.

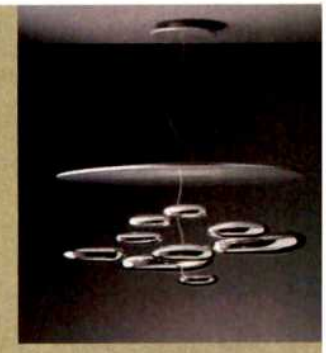
Philips has introduced its 2007 European hit, *Livingcolors* — a remote-controlled LED mood lighting unit — in India in February 2008. This wallwasher unit can be set at a particular hue and intensity of light using an electronic colour-mixer or it can be left to dynamically change hues at specified intervals.

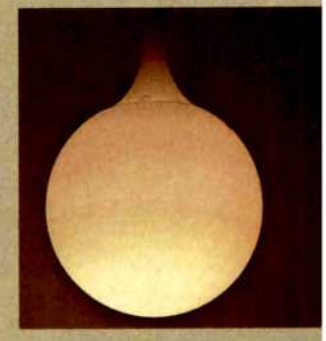
Artemide of Italy, is now stressing on lighting for micro-environments. It has started marketing coloured lights and diffusers in India that can be backdrops to other objects such as speakers or be pretty objects on their own. Artemide is also offering a variable white-light that can change from a warm orange glow to cool blue, depending on the natural light available in a room.

Indirect or reflected lighting is another trend. Crystal maker Swarovski is offering minimalist chandeliers and pendants. Its Starcast — a seven-star ensemble with light coming from four recessed bulbs — received considerable attention at the recently concluded India Lighting Show in Delhi.

Track lighting is a good way of hightlighting art objects. Now you get small, flexible, and wall-mounted racks to hang aesthetic lights such as pendants and omes. These ensure that your guests do not miss your precious collection.

FA





PHOTOGRAPHS: TRIBHUWAN SHARMA

FASHION

All in the Jeans

1970s kick-flares and wide legs are back in vogue among the premium fashion jeans

THERE IS SOMETHING ABOUT JEANS THAT THIS working class garment facinates the poor and the rich alike and has survived fashion trends and technology changes for over a century. Designers continue to play with it despite the constraints of its essential form. In India too, the designed jeans are catching on with premium jeans brands such as Calvin Klein Jeans (CKJ) and Miss Sixty charming the style-seekers with their fashion jeans ranges. To boot, more premium brands such as Seven and Lucky too could soon be on their way.

The market for styled jeans is hot this summer. The skinnies have a freshness about them because of diverse shades of blue and textured fabric. Also, the 1970s inspired styling with kick flares, wide legs and the love-them-or-hate-them high waists is back in vogue.

But a great pair of jeans that combines style and comfort comes at a price. The latest designer jeans start at anywhere between Rs 4,000 and Rs 6,000 whereas the top-end jeans can cost Rs 18,000 or a lot more.

The prices, the brand marketers say, are not a problem. Indian consumers are ready to splurge to get hold of what their western counterparts have. "The designer brands offer innovation, invention and fresh styles and the consumer in India is ready to pay for the premium look," says Bhavna Darira, head of marketing at Murjani Group, which is marketing Calvin Klein Jeans in India.

It's the embellishments, fabrics and finish that really boost the price of jeans today. This season, in the premium segment, one can find the distressed, washed denim that creates an understated, relaxed look. There is also a profusion of the urban elements, such as the light metallic touches on fabrics. CKJ, for instance, has created silver denim for summer, which has a shiny finish on the underside. Miss Sixty is innovating in fashion elements such as pocket with embroidered or metal embossed logos.

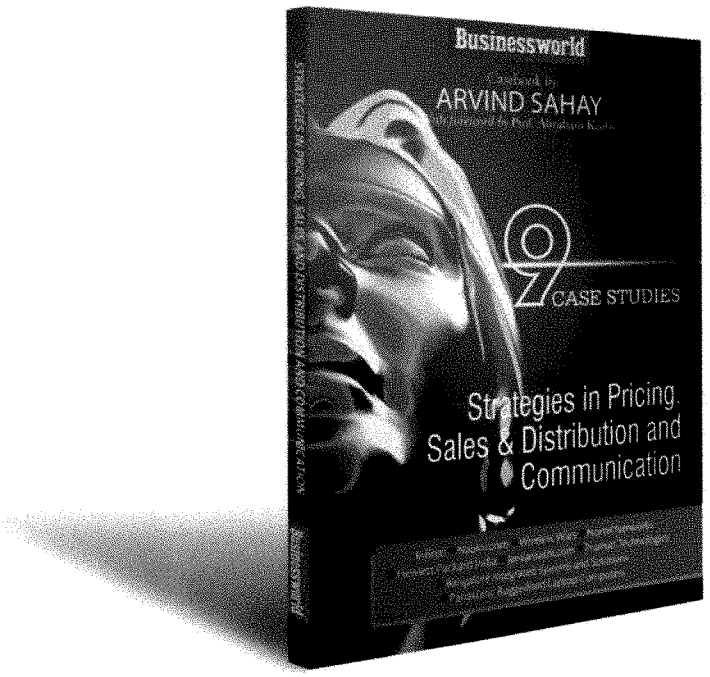
Even the mid-market brands such as FCUK and Levi's are innovating this season by offering 'eco-friendly' and 'organic' fabrics.

So, treat yourself with a great pair of jeans and be on top of one of the summer's hottest trends.

Meghana Biwalkar

PREMIUM TOUGHNESS: Fashion jeans brands see big market in India

Three Marketing subjects. Nine case studies. One powerful book.

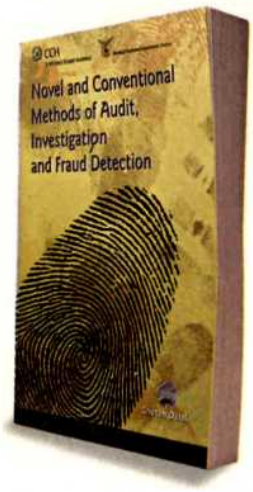


By Prof. Arvind Sahay

- 9 insightful case studies from the IT Industry on strategies in pricing, sales & distribution and communication
- Authored by Prof. Arvind Sahay, IIM Ahmedabad
- Foreword by Prof. Abraham Koshy, IIM Ahmedabad

Price: Rs. 250/-

Businessworld
YOUR UNFAIR ADVANTAGE



The White-collar Criminals

by rajesh gajra

NOVEL AND CONVENTIONAL METHODS OF AUDIT INVESTIGATION AND FRAUD DETECTION
BY CHETAN DALAL CCH PUBLICATIONS, PAGES 575; PRICE RS 1,495

A NOVEL ON THE NOVEL METHODS OF CORPORATE audit and fraud detection? Not quite. This is a work of non-fiction, where the identities of real entities and persons have not been disclosed. They have either been changed to fictitious names or replaced by lettered names like ABC Ltd or Mr A.

According to the author, Chetan Dalal, who is an accountant and a certified fraud examiner, "audit is not only a science but also an art". Dalal's objective in writing this book was to emphatically lay out a vast landscape for auditors and corporate fraud investigators. He recommends that auditors "gear themselves to the dynamic environment and apply... several techniques and procedures which may seem extraordinary and unconventional."

Novel and Conventional Methods of Audit, Investigation and Fraud Detection seems to be positioned as one that is 'by that auditor, of the auditor and for the auditor'. But there is also a takeaway for any corporate executive wanting a peep into the world of corporate fraud in India. The book could quite easily also appeal to those coming cold to the subject, as Dalal has done a fairly decent job of bringing out the depth of, what is otherwise a highly technical subject matter, in a manner that is only occasionally intimidating to the lay reader.

The strength of any book on crimes and frauds in the corporate world or outside it, lies in its ability to share real-life examples with the readers. Dalal's book more than meets this criterion. He has presented over 50 examples, based predominantly on cases that he, as an accountant and a fraud investigator, was hired to investigate over the past five years.

Where required, Dalal has pinned down and categorised different types of fraud according to sectors, such as finance, telecom, engineering; and associations, such as gymkhanas, dairy, retail and supermarkets. The book suggests that auditors try 13 techniques, each one of which is rather interestingly titled — data mining using nanoscience, doctrine of triage, tiger team tests, use of 'Birbal tips, tricks and traps', barium test, etc. It is delightful to come across mathematical techniques in auditing, such as the Luhn algorithm and the Benford theorem.

Many of the cases read like a good thriller, as Dalal explains how the auditor can use information technology to his advantage by familiarising himself with basic computer digging tools such as spreadsheet tinkering, or using the services of computer forensics experts to retrieve deleted data from a company's server.

Some cases even include basic but exciting detective work that can be carried out by auditors to arrive at the truth. In one particular case, Dalal describes how the owners of a textile processing company put fictitious purchases to claim an inflated amount on goods lost due to fire. How the insurance surveyor detects the fraud is a treat to read — almost as if it were a Sherlock Holmes investigation but minus the "my dear Watson" mutterings.

But to enjoy this aspect of the book, you have to suffer some of the other shortcomings. The book has defects in structure and the sequencing of ideas, concepts and examples. The chapters look organised but their contents are in disarray. It also requires effort not to get irritated by the repetitions of examples (You read about a case in chapters 1-4 and find the same case appearing in chapters 5-9).

There are several books on fraud and the audit techniques to detect it; Dalal himself has written books on the subject for the Institute of Chartered Accountants of India and Bombay Chartered Accountants Society. What differentiates this book from the others is the inclusion of detailed chapters on frauds in computerised environments, computer forensics and signa-

CHETAN DALAL serves on the board of Association of Certified Fraud Examiners India Chapter and has authored two other books on fraud detection - Detection of Frauds and Audit and Certification in Circumstances of Missing Information. He is a qualified chartered accountant.

BROWSING
Santosh Kanekar
Marketing Director, Diageo India

I am reading The Business General by DEBORAH TOM AND RICHARD BARRONS. It is about how the principles of the British Army can be applied to business. I generally read classics and non-fiction and books that expand my mind and take it away from conventional thinking. The other books on my reading list are The Assault on Reason by AL GORE and The Witch of Portobello by PAULO COELHO.

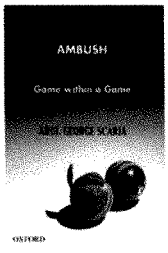
ture/handwriting evaluation in forgeries.

But the insights are rather average and presented in a drab manner. In fact, the entire chapter on computer forensics reads like a boring textbook. Although you do come across basic and interesting highlights of the new techniques and tools that auditors must use in this day and age of information technology.

The biggest negative in the book is that Dalal covers all frauds only from the management perspective, obviously because he was hired by them. But a few examples picked up from statutory regulatory cases, where managements themselves were involved in serious fraud or embezzlement would have added tremendous value for the readers.

Priced at Rs 1,495, the book is valuable for corporate buyers. But as far as individuals go, only the most motivated with long-term benefits in mind would pick it up.

SELECTION 1



It's Mine! No, Mine!

AMBUSH MARKETING
GAME WITHIN A GAME
BY ARUL GEORGE SCARIA
OXFORD UNIVERSITY PRESS,
PAGES: 202; PRICE: Rs 545

'NOTHING OFFICIAL ABOUT IT', COOED SACHIN TENdulkar and his cohorts during the 1996 ICC World Cup in India, helping Pepsi rob its rival, Coca Cola, of the benefit of footing a part of the bill for the event. Coke had outbid Pepsi to become a sponsor, but Pepsi signed the iconic Indian cricket team members and unleashed an advertising campaign during the telecast of the matches, which gave the impression of a greater association of Pepsi with the World Cup than the official sponsor Coke. That was the moment India became aware of ambush marketing.

This watershed event in sports-based marketing is not mentioned in the book, which largely borrows information from well-documented American and European instances of ambush marketing. Yet, the book is important and well timed because sports is rapidly becoming a high-cost, glitzy industry in India, and protection of paying sponsors from freeloading masqueraders is vital. The Indian Premier Leauge is a high-stakes event which depends on sponsors' exclusivity for its multi-billion dollar valuation. Then, India is to host 2010 Commonwealth Games and the 2011 ICC World Cup.

The book covers the variety of ways in which companies try to capitalise on popular sporting events without paying for the rights to do so to the owners of those events. It also contains the ways in which event owners and host countries are trying to deal with thieving marketers.

Importantly, the book also takes up the case for spectators who are forced to wear or consume only the sponsors' products on the grounds. Sponsors need to figure out ways to protect themselves from ambush without losing the goodwill of the people. But that is a subject for another book.

—Feroz Ahmed

SELECTION 2

Through The Eyes Of A Cynic

KARI (HARPERCOLLINS) IS dark, bleak, cynical, dreamlike and yet, powerful and inspiring. Amruta Patil's debut graphic novel is the story of Kari, a young woman living in 'smog city' — ostensibly Mumbai. It begins with a surrealistic sequence in which her lover, Ruth, jumps from the terrace of her building, which is across the street. Kari, in an impulsive moment to save her, jumps from her terrace too. Only, Ruth gets rescued by safety nets around her building, whereas Kari lands in the sewers.

The stench and the filth of the sewers are, perhaps, representative of the sullenness and the cynicism that Kari develops after Ruth's unceremonious departure from smog city. It also represents the baggage of lost love in the form of what she calls a 'PVC suit'.

Kari's life is a world in sepia. There is a dull, yet intense tone to everything around her — from the woman in the local train with bruises on her face to the unknown, unnamed woman she makes love to in a public lavatory.

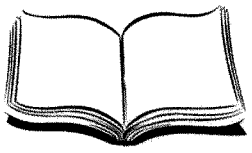
Despite her distorted musings and her sordid desire to look like Sean Penn, the furrow-browed Kari is an endearing character. Her wry and irreverent outlook of the world and life in general is funny and profound at the same time. Through *Kari*, Patil brilliantly captures the feeling of isolation in a crowd.

Patil's illustrations are unconventional and raw, just like her protagonist. Also, the rare splash of colour on a mostly black-and-white canvas is in perfect conjunction with the odd light moments in an otherwise dark narrative.

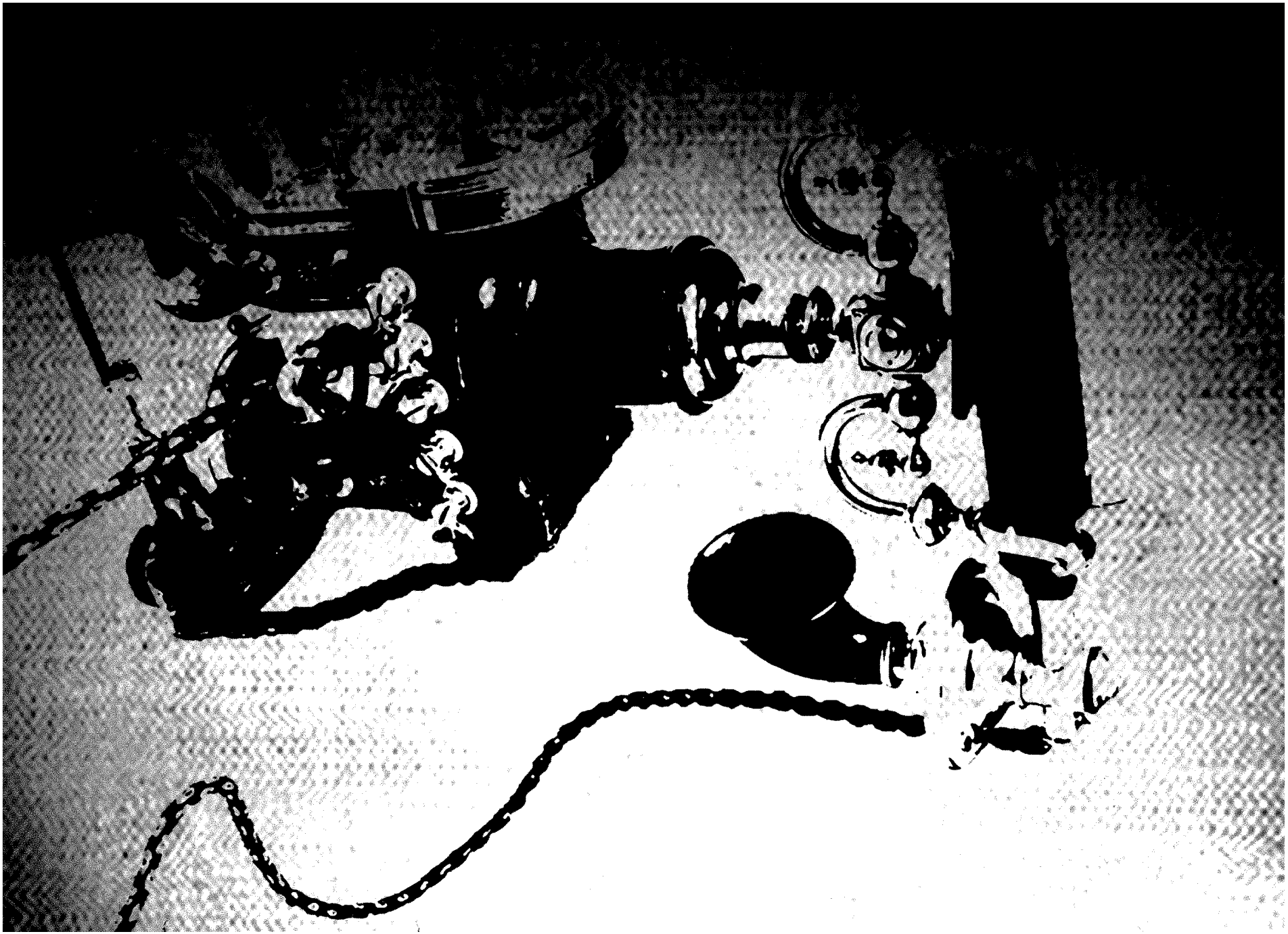
A bold and impactful debut by Patil, this one is not to be missed.

—Jayant Singh

ALERT



THE AGE OF AMERICAN UNREASON
SUSAN JACOBY
PANTHEON
Susan Jacoby laments the decay of rational thought amongst her fellow countrymen in the post-World War-II era and expresses her disappointment at the current state of intellectualism in the American society. Jacoby uses personal anecdotes and historical research to argue that the average American has become increasingly apathetic to socio- political concerns, something that could have disastrous consequences. The main reasons for such 'dumbing down' of the society, she points out, are the birth of mass media and the resurgence of fundamentalist religion.



Elisha Gray.

A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

Alexander Graham Bell.

You know who.

usinessworld invites entries for the Design Brilliance Awards 2008.
end in your entries now, or wait till it's too late.

me people are always in the right place at the right time. The rest, well, they're called 'the st' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance wards right away.

participate, visit www.businessworld.in and fill up a form on the microsite. Last date for cepting entries is March 12, 2008.

ategories for Design Brilliance Awards 2008

Urban town planning • Fashion and lifestyle • Social design including products and services Stage/film set design, production and cinegraphy • Digital design • Graphic design • Product sign • Furniture design • Transportation and automobile design • Packaging design • Animation New media installation • Green and sustainable design

future group
india tomorrow
presents

DESIGN | BRILLIANCE AWARDS 2008

Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

Uses Of Good Fortune

THE MARRIAGE OF CONVENIENCE BETWEEN THE Left and the Congress has lasted nearly its full term; both sides have benefited from the breathing space it gave them. An incidental beneficiary of the entente discordial is Lalu Prasad Yadav. When he became a central minister in 2004, his image was of a robber chieftain from an undistinguished state. Today he lectures in management schools about how to manage railways. It is impossible to know just how much management of railways he did. What is undeniable, however, is that he has underutilized considerably the opportunities he had for mismanaging them – although he has not been backward in favouring his state and constituency – and that he gave the managers of the railways ample opportunities for showing their worth. But he has taken care to please his fellow politicians as well. This was evident from the pleasure with which they listened to him in Parliament. Last year, he could not be heard because of the ruckus kept up by the Bharatiya Janata Party while he spoke; this year, those that stayed to listen to him were like lambs.

BLOOMBERG

Whether Lalu becomes Prime Minister or prisoner next, he will be able to look back with satisfaction on his stint as railway minister

There has been much comment on the populism of the railway budget, which is read in the reductions in passenger fares. The railway budget is an instrument for taxing industries that have goods to transport and subsidizing human passengers who have votes to cast. Lalu was not the first minister to have discovered this; most ministers before him have used the railways in this manner. The sheer arbitrariness of the political mind is breathtaking. Boys will travel free as students as long as they are in school. But if they change sex, they can continue to get a free ride till they graduate. Old men pay half the fare; their wives pay 30 per cent. Trains will soon run to care for the health of mother and child. Presumably when they hoot, children will run to the nearest railway station to get their ration of baby aspirin. Still, one should be grateful that Laloo created only 973 new jobs; ministers like him are used to thinking in terms of thousands of jobs.

What is unusual and unprecedented is that Lalu is the first minister to have burdened upper-class passengers less than second-class ones. He has reduced passenger fares this time, but more for upper-class than for second-class passengers. He is not thereby being a friend of the rich; first-class fares still remain ten times second-class fares, and they will be reduced only when first class is going half empty. And Lalu is only trying to stop passengers from leaving trains in droves and flocking to the airports. It is pure commercial sense. Still, it is good sense. This is proved by the fact that whilst the growth in the number of passengers was 5.6 per cent, the earnings from them grew 14 per cent. Some of the fliers are probably waiting for the day when railway tracks cease to be strewn with shit and stations cease to stink. But that day will come too; the railways have it in their plans. And in some stations at least, passengers will be able to park, take escalators to cross platforms and board trains without clambering up long staircases. Good times are coming for them; when they do, the passengers would do well to thank Lalu.

The railway minister has his rail car still hitched to the freight corridor. But he wants it to pass through Bihar, which is commercially pariah. And then, the railways are keen on freight, on which they make money, while the Japanese prefer to transport passengers, on which the railways lose because of the many ministers' bounties. So the Bombay-Delhi corridor is not going to be built by the Japanese. But having got the idea, Lalu will not give it up. Now he is thinking of two freight corridors, one from Bombay to Delhi, and another from Ludhiana to Dankuni near Calcutta, passing through – where else? – Bihar.

The country is too densely settled by now to lay new long-distance lines. So the railways have to utilize the lines they have got more intensively. That is why they are thinking of lengthening platforms to take longer trains, and of deepening ballast to construct lines that can take wagons with a 30-ton axle load.

Although increasingly abandoned by the middle class of big cities, the railways are still the sinew of the nation. Our power stations and steel mills grind to a halt without them. And the railways continue to make profit. Lalu has shepherded them well. It is not certain where he will head after the next election. He may become Prime Minister, or he may spend time in courts. But his innings in the railways is something he will be able to look back on with pride.

AYURVEDA'S RIGOURS P.50 DECODING ULIPS P.56

Rs 10

Businessworld

www.businessworld.in 17 MARCH 2008 SUBSCRIBER COPY NOT FOR RESALE

HOT ZONE

Why climate change could threaten global security PAGE 62

INDIA'S No. 1 BUSINESS MAGAZINE MOST READ

BIG BLUE'S BIG MOVES

How the recharged giant is outsmarting the Indian IT biggies

Sam Palmisano, Chairman, President and CEO, IBM

Ginni Rometty, Sr. V-P, Global Business Services, IBM

Shanker Annaswamy, Regional General Manager, IBM India-South Asia

Bob Moffat, Sr. V-P, Integrated operations, IBM

SAMSUNG
LCD TV
THE ART OF TECHNOLOGY

52F8 with Full HD
MRP. Rs.3,30,000

Add excitement to life.

Things change when you buy an F8 Series. Like your definition of detail, depth and clarity. Bring it home today and let its vividly realistic pictures and understated styling take over your senses. After all at 1080p Full HD, this international sensation comes with the highest ever resolution in a TV.

F8 Series	Mosel Blaque	Bordeaux Arc	Sonoma Trenz	HD Plasma
40F8 - MRP. Rs.1,50,000	**40M8** - MRP. Rs.1,09,000	**32R8** - MRP. Rs.57,000	**32S8** - MRP. Rs.52,000	**42C9** - MRP. Rs.80,000
46F8 - MRP. Rs.2,00,000	**46M8** - MRP. Rs.1,70,000	**37R8** - MRP. Rs.75,000	**40S8** - MRP. Rs.79,000	**42Q9** - MRP. Rs.90,000
52F8 - MRP. Rs.3,30,000	**52M8** - MRP. Rs.3,00,000	**40R8** - MRP. Rs.89,000	**46S8** - MRP. Rs.1,30,000	**50Q9** - MRP. Rs.1,70,000
				63P7 - MRP. Rs.4,50,000

Full HD Technology
1920 x 1080p Full HD Display gives you the highest ever resolution in a TV

Higher Contrast Ratio
Produces seamless, breathtakingly beautiful images

From the manufacturers of the finest LCD Panels

SAMSUNG

For more details, please visit **www.samsung.com/in**
Samsung India Electronics Pvt. Ltd. 7th & 8th Floor, IFCI Tower, 61, Nehru Place, New Delhi. Tel: 011-41511234.

era

ENGINEERING INNOVATIONS

2 decades of expertise.
9 verticals.
200+ completed projects.
90 ongoing projects.
17 states + growing international presence.#

Experience counts.

eraezone

Experience the moment

era CINEMAS | era FOOD ZONE

★ From leveraging the expertise of the group in capitalizing emerging opportunities before others to enhancing the group's presence across sunrise industries offering excellent prospects such as the entertainment & hospitality space.

★ From creating memorable moments for our customers through international standard entertainment & recreation offerings to pioneering the delivery of a complete entertainment solution (multiplexes and food courts) across key cities.

Era E-Zone promises to help you savour life's precious moments.

★ Multiplexes and Food Zones ★ Hotels & Resorts and Facility Management

era infra	era buildsys	era landmarks	eraezone	era power
Ushering transformation	The technology edge	Live the difference	Experience the moment	Energising tomorrow
ERA INFRA ENGINEERING LTD.	ERA BUILDING SYSTEMS LTD.	ERA LANDMARKS (INDIA) LTD.	ERA E-ZONE (INDIA) LTD.	ERA POWER (INDIA) PVT. LTD.

(#Combined presence of all group companies as on 30th November, 2007)

Corporate office: 153, Okhla Industrial Estate, Phase III, New Delhi - 110020, India | Ph.: +91-11-40637000 | Fax: +91-11-40637070 | www.eragroup.co.in

info@wyatt.co.in

Unsurpassed Ingenuity

by jehangir s. pocha, editor

IF THE SOFTWARE SERVICES INDUSTRY was based in another country, its companies would be focusing on the Indian market far more than domestic software services companies are doing. While companies such as Infosys have fixated on overseas markets and overlooked India's own 'under-sophisticated' and 'price sensitive' companies, IBM's quiet pursuit of India Inc. has allowed it to chalk up revenues of $750 million and become India's largest software services company.

Perhaps Indian IT, from recruits who thirst to be posted to the US to CEOs who fail to build local sales forces, is infatuated with the idea of being the only Indian industry to make it big abroad. The industry doesn't see that there is a pot of gold at its feet, if only it would deign to bend a bit. And bending would only mean adjusting prices to accommodate local realities, which is exactly what most successful multi-nationals always do.

One hopes this is not reflective of a larger ossification in an industry that is cheered for its innovation. Despite all the talk about how Indian IT companies are moving up the value chain, their obvious struggle to cope with a sinking dollar and rising domestic salaries reveals they are still primarily driven by wage arbitrage.

For a case study in successful — if slow — reinvention, Indian IT companies need look no further than IBM. From counting machines, to mainframes, laptops, the internet and now open systems integration, IBM has maintained its leadership position in the global IT industry even while competitors, from majors such as Unisys to upstarts such as Netscape, have faded. There have been lean patches. The worst were the years when the iconic Lou Gerstner struggled against the odds to modernise IBM's white shirt, blue suit culture. But the company has always come through and remains one of the most popular with mutual fund investors globally. IBM is a remarkable story of corporate ingenuity, one no other IT company can match.

Businessworld

Volume 27 Issue 43.
For the week 11-17 March 2008,
Released on 10 March 2008.

Editor
Jehangir S. Pocha

Editorial Offices
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702062

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962596

Advertisement/Circulation/ Subscription enquiries
2nd Floor, Express Building,
9-10, Bahadur Shah Zafar Marg,
New Delhi 110 002
Phone: 23702170-79; Fax: 23702061

B-2/C-2, Paragon Condominium
Association, P. Budhkar Marg
(Opp. Century Mills), Worli,
Mumbai 400 013
Phone: 24962587-94; Fax: 24962597

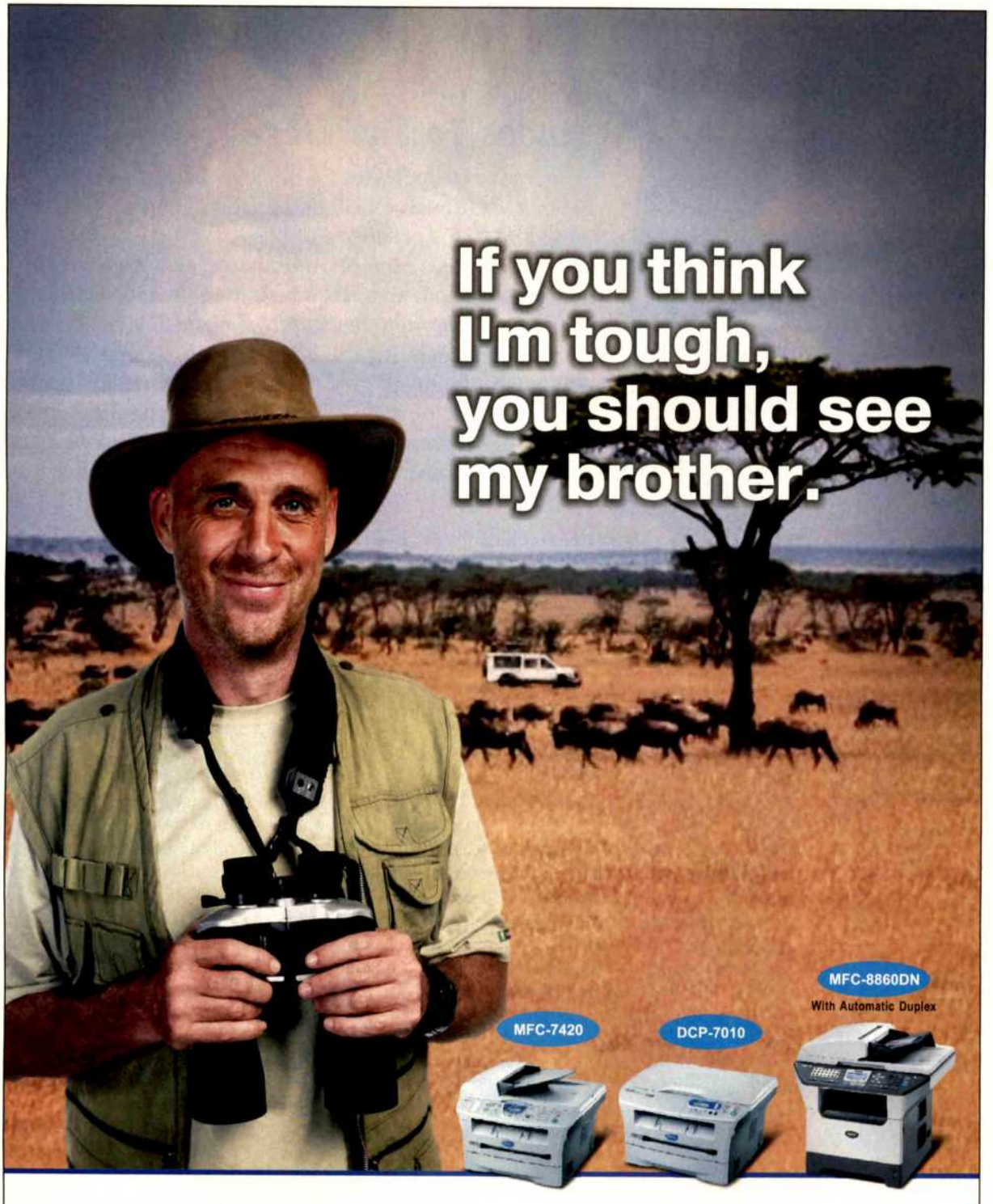
Head Office & Regd. Office
ABP Pvt Limited
6, Prafulla Sarkar Street, Kolkata 700 001
Phone: 22378000, 22374880

Regional Offices
Chennai
267 B Royapettah High Road
Chennai 600 014
Phone: 28131278, 28131279, 28131286
Fax: 28131502
Bangalore
No.14, State Bank of India Road, 4th Floor
Bangalore 560 001
Phone: 25588127, 25588928; Fax: 25596294
Hyderabad
PTI Building, 3rd Floor
A C Guards, Hyderabad 500 004
Phone: 23317147; Fax: 23307454

Subscription Service
To subscribe or renew, please contact at
businessworldsubscriptions@abpmail.com
The current rate for subscription are :
One Year - Rs. 520 (52 Issues)
Two Years - Rs. 1,040 (104 Issues)
Three Years - Rs. 1,560 (156 Issues)

Businessworld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from Express Building,3rd Floor, 9-10, Bahadur Shah Zafar Marg,New Delhi - 110002 and printed at Swapna Printing Works (P) Ltd., Doltala, North 24 Parganas by Shyamal Mukherjee for and on behalf of ABP Pvt. Ltd.
Editor: Jehangir S. Pocha
R.N.I.No. 39847/ 81



The rugged heavy duty Multi-function Centres.

Presenting sturdy, robust and hardworking laser Multi-function Centres from Brother. No sweat. No complaints. These printers just go on and on day after day. An ideal investment for every office

• Laser Printing • Laser Faxing • Laser Copying
• Colour Scanning • Mono PC Faxing

At your side.
brother®
Brother International Corp., Japan

mc²

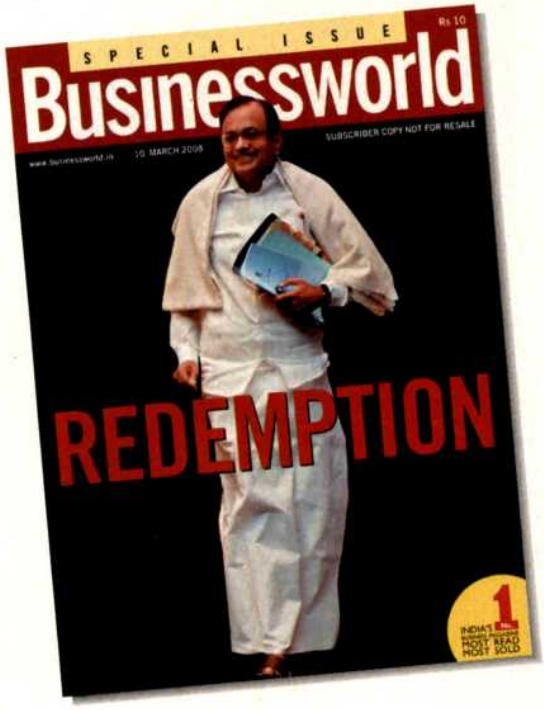
OTHER MODELS ALSO AVAILABLE

Brother International (India) Pvt. Ltd.

Brother is a registered trademark of Brother Industries Ltd.
Brand Product names & Logos are registered trademark or trademarks of their respective companies.

Call our toll free number for more details: **1-800-222-422** (MTNL and BSNL users), **1-800-209-8904** (other users), **SMS: +91 9967609904, Email: info@brother.in**

Feedback your comments



Kudos To The FM

Your cover story "Styles Of Budget Making" (*BW*, 10 March 2008) was excellent. Hon'ble Finance Minister has stood up to his promise and delivered a dream Budget. By hiking the basic exemption limit and also lowering the tax rates for income up to Rs 5 lakh, middle and salaried class have every reason to feel happy about it. The loan waiver for farmers again is good enough a proposition to lift them out of indebtedness, but a long-term strategy needs to be evolved for their sustenance by overhauling the rural credit-delivery mechanism. Renewed thrust on education, healthcare and infrastructure with substantial allocations is most welcome to prop up the growth rate. In the final analysis, the Budget is a great exercise with a deft balancing in the most difficult circumstances.

Srinivasan Umashankar, via e-mail

WRITE IN AT
bweditor@abp.in
or post us on
www.businessworld.in

A Telecom Veteran

I have been an avid reader of your magazine for the past five years and never before have I been so driven to write to you as now. Your cover story on the telco czars ('The Great War', *BW*, 25 February 2008) is sure to raise many a debate and a rethink at the Trai level. However, I felt there was a veiled bias against Sunil Mittal, who has pioneered the telcom revolution in India. I started using a mobile phone five years ago and started with Airtel. I do have a soft corner for him. I salute the guy, and his brand, who has withstood pressures while others, such as Modi Telstra's Command, perished. He has been the one with so many firsts in mobile industry — from rock-bottom tariffs to outsourcing to infrastructure sharing — which have been diligently covered by your magazine. But be just while using adjectives against the man and his mission.

Arup Roy Chowdhury, via e-mail

Pumping Life Into Pharma

This is is reference to 'IT Firms Pop The Pill' (*BW*, 10 March 2008). Ten key pharma trends for 2008, as reported by IDC's Health Insight, outline a significant role of IT in the ensuing year. And why not? The pharma giants are riddled with highly customised clinical trial solutions and data silos that cannot be leveraged efficiently and effectively to cater to the emerging market (patent expiration, M&As, intense focus on predictive safety) and regulatory realities (inclusion of imaging data for NDAs, standardisation of safety reporting formats). They need solutions that can integrate, standardise and intelligently mine these systems to meet these growing demands (cost is *not* the sole imperative here). The IT service providers, with a promise to surmount these challenges, will look at partnerships instead of competitive stances.

Deepankar, via e-mail

In A World 'Bound Together'

Your article 'Decoupling Demystified' (*BW*, 11 February 2008) was really thought provoking and made me wonder how over-optimism can blind us. It made me see the reality of the globalised world — that each economy is dependent on other economies. The only safeguard is to assess ably how how well you are doing at home vis-à-vis other economies.

Akshat Agarwal, via e-mail

The letters have been edited for brevity.

replacing your rush hour with relax hours

"how delightfully thoughtful!"

Come, discover this refreshing signature experience across 3 great Sarovar brands spanning over 35 delightful hotels pan-India.

SAROVAR PREMIERE
5 star premium hotel

SAROVAR PORTICO
3/4 star business hotel

Kometel
Economy hotel

Nobody covers India like we do!!! 35 hotels and more...

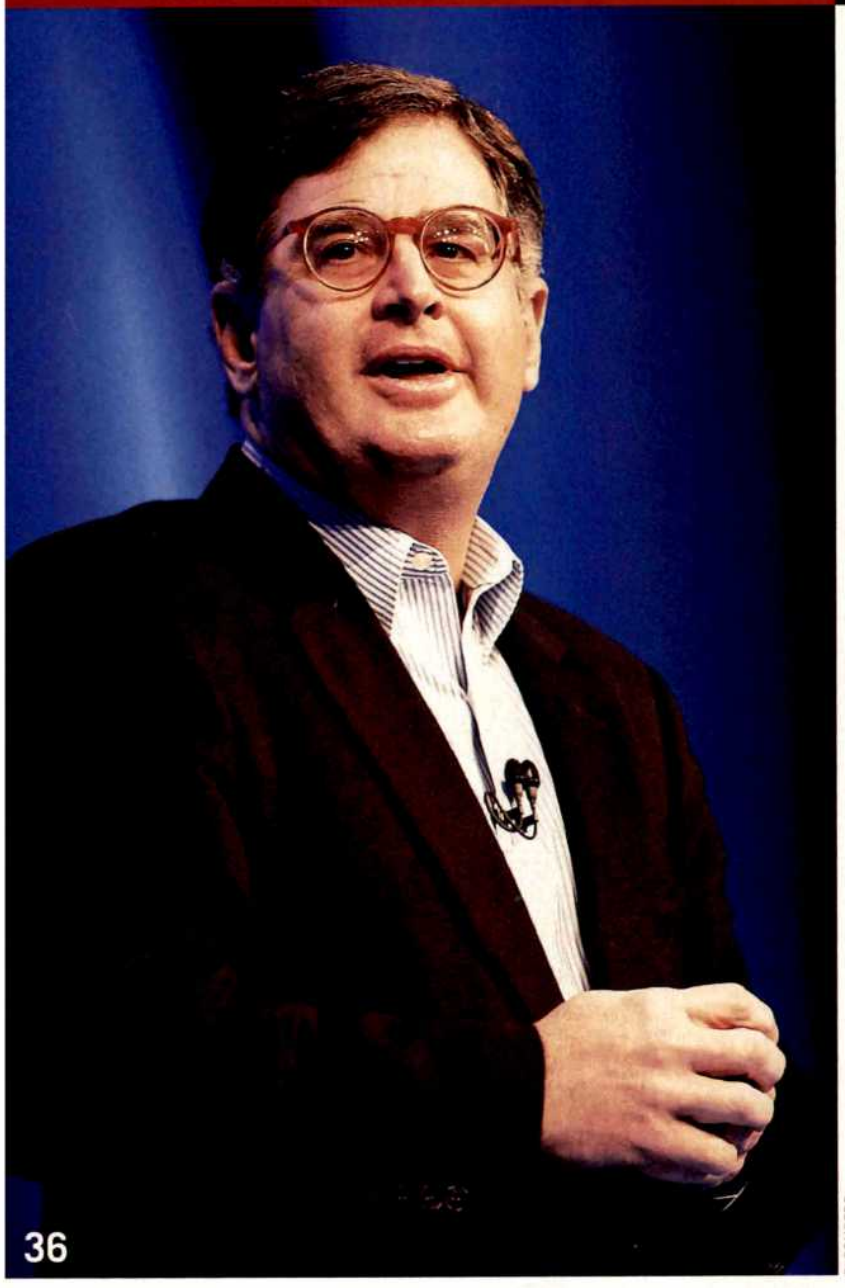
SAROVAR
HOTELS & RESORTS

Mumbai: (022) 6635 0800. New Delhi: (011) 2638 3851/2/3/4/5. Bengaluru: (080) 4115 3344/5588/5599.
Chennai: (044) 2826 5566/6644/4488. Kolkata: (033) 2228 7301/0301

www.sarovarhotels.com Toll Free Reservations: 1 800 111 222

enzcomm.com

Businessworld 17.03.08



BLOOMBERG

COVER STORY

36 IBM's Moves

The world's largest software services company is leveraging its global workforce to compete head-on with younger and more agile competitors.

ON POINT

10 Tangled Wires
Was DoT's letter to Tatas fake?

11 Gorkhaland
Nepal does it, India still dithers.

12 Fuel On Fire
Opec's blow to domestic oil companies.

18 FIANCHETTO
Weekly strategic corporate moves.

20 QUICK TAKE
Should we import uranium from the US?

IN THE NEWS

24 Jaguar-Land Rover
What can Tata do to turn them around?

26 WiMAX
It can impact the current business models.

27 Putin's Shadow
Will Medvedev come out of it?

28 Corporate Governance
Sebi does not seem to be very serious.

29 Buying Into Biotech
There is a new boy in Silicon Valley.

30 Inside Story
A rash of alliances in the news media.

IN DEPTH

32 South Mumbai Heads North
Property prices in south Mumbai buck the general downturn and shoot up.

44 Broadband Basics
Extending broadband to rural India can ensure inclusive growth.

50 Rewriting Ayurveda?
There are those who want to preserve tradition and others who want to change it.

56 Understanding ULIPs
It pays to know how your insurance policy is linked to the stockmarket.

SPECIAL REPORT

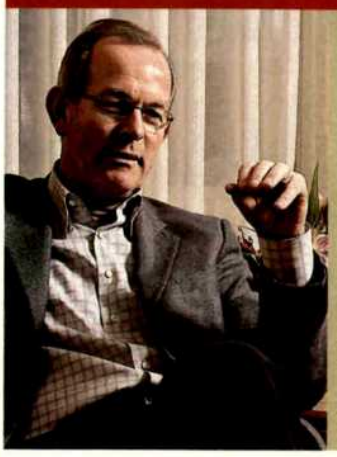
62 It's Blowin' In The Wind
Climate change can impact security and economy in ways not foreseen before.

IN VOGUE

85 Paris Fashion Week
Be prepared for a rather eclectic winter wardrobe this autumn/winter.

90 Azmi Street's Makeover
How sleaze street turned into high street with the influx of premium shops.

96 Bookmark
Critical perspectives on global power, and the life of a legendary general.



IN CONVERSATION

48 JIM FITZGIBBON
PRESIDENT, WORLDWIDE OPERATIONS,
FOUR SEASONS

The hotel management company has redefined luxury services in Paris. Soon, it expects to repeat the act in Mumbai with its 33-storey glass tower.

COLUMNS

22 Bill Emmott
Genetically modified crops are the best answer to food-price inflation.

60 Srikanth Srinivas
Developing a corporate bond market has taken too long. It needs a push now.

70 Gurbir Singh
Bans on films are to appease communities and to win electoral brownie points.

BW & YOU

06 FEEDBACK
73 CASE STUDY
98 BW OPINION

Cover Design by Jyoti Thapa Mani
Photographs: Bloomberg, Subhabrata Das, and Hemant Mishra

BWonline
businessworld.in
WEB EXCLUSIVES

Crafting Tradition
Turkish-born Orhan draws on tradition to make jewellery out of soft, 24-carat gold.

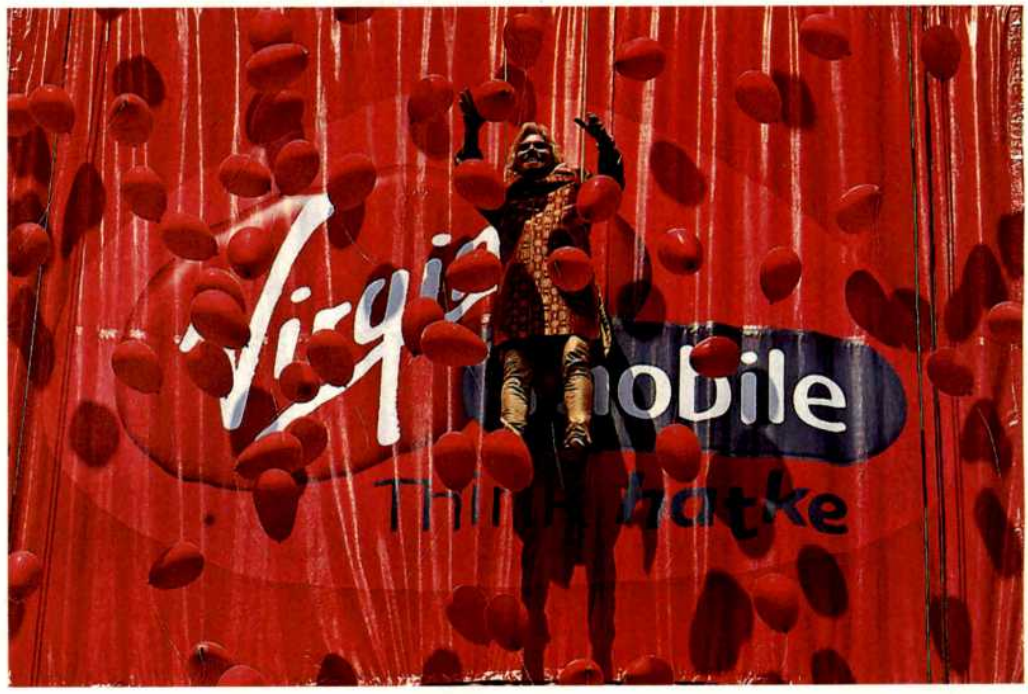
TechnoCool
Logitech's Alto Cordless can change your laptop experience. But it's not for the road.

Total No. of pages including cover: 100

TELECOM

The Fight Continues

Another round of slugfest has begun between the telecom players



AP

SEEING RED: Critics say the the Tata-Virgin deal is in violation of licensing norms

IN THE TELECOM battle, it was what intelligence agencies would call a "dirty op". A document from the Department of Telecommunications (DoT) ordering Tata Teleservices (TTSL) to freeze its joint venture with Virgin Mobile because it constituted an MVNO (Mobile Virtual Network Operator) began circulating.

MVNOs are illegal in India. Just as confusion reigned supreme, DoT denied writing the memo, implicitly saying it was a forgery.

TTSL's Managing Director Anil Sardana says he has personally explained to the government why the Virgin deal does not constitute an MVNO, and his views seem to have been accepted. "The Tata-Virgin tie-up does not seem to violate the UASL licence," a DoT official says. "However, a complaint has been made and it will be examined".

That was probably the whole idea of the forgery — to tie down the TTSL-Virgin deal in investigations and inquiries. Tatas say it'll take legal action against those who created the forged DoT document.

But who are the parties? The names of several mobile companies concerned with Tatas' reinvigorated mobile strategy are being brandished around.

When contacted, the spokespersons of all these companies denied any wrongdoing. Meanwhile, Tatas have also asked DoT to look into Bharti Airtel's and Vodafone's outsourcing of their mobile networks to third parties, such as Nokia-Siemens, Ericsson and IBM.

Meanwhile, a slew of anti-Tata emails continue to flood the inboxes of journalists. The telecom battle is clearly degenerating into a slugfest.

M. Rajendran

62 billion dollars. The wealth of the world's richest man, US investment guru Warren Buffett

QUOTE OF THE WEEK **"If there is no rocket fire at Israel, there will be no Israeli attack on Gaza."**

— Israeli Prime Minister Ehud Olmert

GORKHALAND STATE

Mirror Issues

The Gorkhaland issue has once again come to the forefront

STILL HOPEFUL: For the first time, ex-servicemen took part in a protest rally in Delhi

IT IS A CLASSIC CASE OF one problem getting two different treatments. Last week, Nepal granted autonomy to natives of Indian origin in the Terai region, who were agitating for the past year. A similar situation has been simmering in the Darjeeling hills of eastern India since 1917. The only difference is that in India, the agitators are still protesting.

While people in Terai feel discriminated as *madheshis* or mid-zone people, Gorkhas in India are treated as foreigners.

On 5 March, 300-odd Indian Gorkha veteran soldiers held a rally in New Delhi, supporting the newly formed Gorkha Janmukti Morcha's (GJM) call for a separate state for the Gorkhas in Darjeeling, which was merged with West Bengal in 1947.

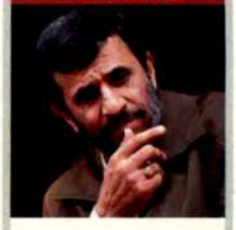
PHOTOGRAPHS: JYOTI THAPA MANI

This is the first time that Gorkha ex-servicemen have publicly taken part in a protest rally. The Darjeeling issue also came to the forefront recently by the ouster of Gorkha National Liberation Front's President Subhash Ghishing from the Gorkha Hill Council. The GJM has accused Ghishing of having kowtowed to the West Bengal government to skirt the Gorkha land issue.

But what is not spelled out is Darjeeling's agenda for the heritage-Gorkha Regiment communities of Himachal Pradesh and Uttaranchal.

Jyoti Thapa Mani

Global NEWS



BLOOMBERG

UN sanctions Iran

When Iranian President Mahmoud Ahmadinejad was busy visiting Iraq, the UN Security Council imposed a third round of sanctions on Iran for its controversial uranium enrichment programme. However, given Tehran's record, it is unlikely that the new sanctions will make the Islamic country to change course.

IMPROVED CONFIDENCE

German business confidence unexpectedly rose for a second month in February.

Business confidence index

Bloomberg

STOCKMARKETS

LONG-TERM OPTIONS

SOMETHING IS ABUZZ IN THE EQUITY derivatives market. On 3 March, the NSE added the three quarterly month contracts (June-end, September-end and December-end of this year) and five consequent semi-annual month contracts (June, December 2009, June, December 2010 and June 2011) to its existing three serial month contracts on Nifty options.

Long-dated options contracts give investors and traders a bird's eye view of the market, where the nearest-month Nifty options corner as much as 98 per cent of all Nifty options trades. Already, traders have taken note. On the first two days of the new introductions, the regular nearest contract — March-end — saw Rs 11,441 crore worth of trades. The next highest trading volume was in the new December-end contract — Rs 146 crore — overtaking the near-month April-end contract that saw Rs 86 crore of trading. These figures may be small. But then, options trading on the NSE makes up for only about 15 per cent of total derivatives trading.

Rajesh Gajra

DAY AFTER THE RAID

Ecuadorean soldiers patrol a street of Dureno, the Ecuadorean border with Colombia on 5 March 2008. Ecuador has sent troops to the border in response to a Colombian military strike that killed two dozen rebels, including Colombian rebel spokesman Raul Reyes, at a rebel camp on Ecuadorian soil.

AP

TAMIL NADU

Power Shortage

CP SHANMUGHAM

The proposed power holiday by the TN government may just not be enough

FACED WITH ACUTE power shortage, the Tamil Nadu government has asked industries to even out weekend holidays to other days of the week.

The idea is to have holidays on six different days instead of on Saturdays and Sundays which will save about 350 MW.

However, the state's industries, especially the textiles industry, don't seem very enthused.

"The proposed power holiday will result in production loss of around 20 per cent and loss of jobs to the same extent," says K.V. Srinivasan, chairman of the Southern India Mills' Association. Textile mills are among the largest consumers of power in the industrial segment.

The peak hour demand in Tamil Nadu is 8,900 MW while the availability is only 8,600 MW.

M. Allirajan

US ELECTIONS

AP

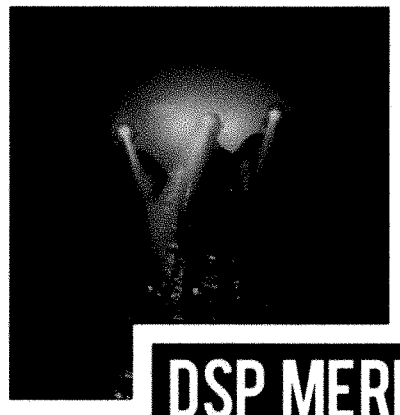
Clinton Bounces Back

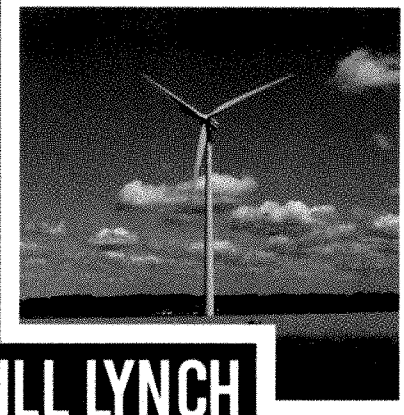
HAVING SECURED THE CRUCIAL 4 MARCH primaries in Ohio, Texas and Rhode Island, Hillary Clinton scored a comeback, denting rival Barack Obama's delegate lead. Triumphs at the three key primaries ended a month of defeats for the former first lady. "We're going on, we're going strong and we're going all the way," she told jubilant supporters. The next big primary is the Pennsylvania primary on 22 April.

Reality Check

People who regularly skip breakfast actually weigh more than those who take breakfast daily, according to a study by the University of Minnesota

NFO Closes:
27th March 2008





DSP MERRILL LYNCH

NATURAL RESOURCES AND NEW ENERGY FUND

HARNESS THE FUTURE

GET ACCESS TO INTERNATIONAL EQUITIES

Sms NRNE to 567672855

Visit www.dspmlmutualfund.com

DSP Merrill Lynch
MUTUAL FUND

Investment Objective: The primary investment objective of the Scheme is to seek to generate capital appreciation and provide long term growth opportunities by investing in equity and equity related securities of companies domiciled in India whose predominant economic activity is in the (a) discovery, development, production, or distribution of natural resources, viz., energy, mining etc; (b) alternative energy and energy technology sectors, with emphasis given to renewable energy, automotive and on-site power generation, energy storage and enabling energy technologies. The Scheme will also invest a certain portion of its corpus in the equity and equity related securities of companies domiciled overseas, which are principally engaged in the discovery, development, production or distribution of natural resources and alternative energy and/or the units/shares of Merrill Lynch International Investment Funds – New Energy Fund, Merrill Lynch International Investment Funds – World Energy Fund and similar other overseas mutual fund schemes. The secondary objective is to generate consistent returns by investing in debt and money market securities. **Asset Allocation:** 1. Equity and Equity related Securities of companies domiciled in India, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy: 65% - 100%; 2. (a) Equity and Equity related Securities of companies domiciled overseas, and principally engaged in the discovery, development, production or distribution of Natural Resources and Alternative Energy (b) Units/Shares of (i) Merrill Lynch International Investment Funds – New Energy Fund (ii) Merrill Lynch International Investment Funds – World Energy Fund and (iii) Similar other overseas mutual fund schemes: 0% - 35%; 3. Debt and Money Market Securities: 0% - 20%. **Terms of Issue:** Rs. 10/- per Unit plus applicable Entry Load (During NFO). Minimum investment - Regular Plan: Rs. 5,000/- and multiples of Re 1/- thereafter, Institutional Plan: Rs 5 crore and multiples of Re 1/- thereafter. Load Structure and Expenses: Entry Load (Regular Plan): 2.25% (For Regular investments <Rs 5 crore during NFO and Continuous Offer); NIL (For Regular investments >= 5 crore during NFO and Continuous Offer); 1% (For SIP investments during Continuous Offer); Entry Load (Institutional Plan): NIL (During NFO and Continuous Offer). Exit Load - Regular Plan: For Holding period < 6 months: 1.00 %; Holding period >= 6months but < 12 months: 0.50%; Holding Period >= 12 months: Nil; Institutional Plan - NIL; For SIP investments (only in Regular Plan): Holding period < 2 years: 1.25 %; Holding period >= 2 years: NIL. Investors shall bear the proportionate recurring expenses of the underlying scheme(s) in which the Scheme will make investment, in addition to the recurring expenses of the Scheme. **Investor Benefits & General Services:** During Continuous Offer, sale (at Purchase Price) and redemption (at Redemption Price) on all Business Days (Redemption normally within 3 Business Days). SIP, SWP, STP (During Continuous Offer) available in the Regular Plan, Nomination facility available. (If the SEBI limit for overseas investments by the schemes of the Fund is expected to be exceeded, the NFO may be closed / subscriptions, switches into the Scheme (during Continuous Offer) may be temporarily suspended / SIP/STP into the Scheme may be terminated). Declaration of NAV for each Business Day by 10 a.m. of the next Business Day. **Statutory Details:** DSP Merrill Lynch Mutual Fund was set up as a Trust by the settlors, DSP Merrill Lynch Ltd. (DSPML) and Merrill Lynch Investment Managers LP, USA. Sponsors: DSPML, DSP HMK Holdings Pvt. Ltd. and DSP ADIKO Holdings Pvt. Ltd. (collectively) (Liability restricted to Rs. 1 lakh). Trustee: DSP Merrill Lynch Trustee Company Pvt. Ltd. Investment Manager: DSP Merrill Lynch Fund Managers Ltd. **Risk Factors:** Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets. Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return or dividend. DSP Merrill Lynch Natural Resources and New Energy Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns. The Scheme is required to have (i) minimum 20 investors and (ii) no single investor holding>25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the Scheme will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. **For scheme specific risks, including risks related to investments in MLIIF – WEF, MLIIF – NEF and other similar overseas mutual fund(s), please refer the Offer Document. Please read the Offer Document and KIM (available at www.dspmlmutualfund.com/ISCs/distributors) carefully before investing.**

1522.2008

ADVERTISING

CREATIVE COLLABORATION

THE WORLD OF ADVERTISING often doesn't spring surprises. But when it does, it does it in style. In the latest, Advertising Agencies Association of India (AAAI) is collaborating with Ad Club Bombay. This year, AAAI's annual advertising festival, Goafest, will feature Ad Club's Abby awards for advertising excellence.

Despite occasional controversies, the 40-year-old Abby's was more or less a success. But its joining hands with Goafest has left industry observers surprised.

While the current move appears contrary, most ad gurus take the stand that it is good for the advertising world. Both these awards, though existed under different names for the past two years, have had the same motto — both banked more on market acceptance rather than the creativity.

While it may take time for the new collaboration to register in people's minds, there doesn't seem to be any anomaly.

Janhavi Abhyankar

TOP 10 LISTINGS

MOST ADMIRED US COMPANIES

1	Apple
2	Berkshire Hathaway
3	General Electric
4	Google
5	Toyota Motor
6	Starbucks
7	FedEx
8	Procter & Gamble
9	Johnson & Johnson
10	Goldman Sachs Group

Source: Fortune magazine

OIL PRICING

A Cause of Concern

As global oil prices soar to new highs, domestic companies feel the heat

WHEN THE PROSPECTS of general elections loom large on the horizon, no government will even look at another hike. But international oil price touching $104 a barrel has ominous signs for the Indian oil companies.

"Rationalists in all parties have failed to impress the need to hike price with government, in non election year, they will be muted now," says a senior executive at a domestic oil company, who did not wish to be named.

Domestic oil companies are losing more than Rs 180 crore a day due to the price fluctuation worldwide. Oil industry sources say that they were losing Rs 9.68 per litre on petrol, Rs 12.21 on diesel, Rs 20.95 on kerosene and Rs 303.66 per gas cylinder.

BLOOMBERG

WAIT AND WATCH: OPEC has decided not to hike production now

According to industry analysts, the jugglery in excise duty by Finance Minister P. Chidambaram to balance out the impact of crude oil price is just not enough.

The oil producing and exporting countries' (OPEC) refusal to raise oil output to bring down global oil prices, which have been hovering around $100 for weeks, is another blow to the domestic oil companies.

Dinsha Patel, the minister of state for petroleum and natural gas, had stated last week in the Rajya Sabha that to meet the cost of crude, the government could consider a temporary increase in the cess on domestic crude and/or customs duty on imported crude.

The big question, however, is whether such a cess will be temporary.

M. Rajendran

WHEN YOU'VE WORKED WITH INDIA
IN THE PAST, YOU'RE BETTER EQUIPPED
TO BE A PARTNER IN THE FUTURE.
For over 60 years BAE Systems, the world's number one land systems company, has been in partnership with India, supporting them as a leading defence force. Whether it's Howitzers on land, Hawks in the air, Harriers at sea, or the technology behind them, BAE Systems has played a key role with India's armed forces. But it's not just about hardware. Partnership is about sharing technology, working with Indian industry and investing in training. And when you can deliver all of these capabilities, that's a real advantage.
BAE SYSTEMS
REAL PARTNERSHIP. REAL ADVANTAGE.
www.baesystems.com/india

PHARMACEUTICAL

Shot In The Arm

The German court ruling has given a temporary relief to Dr. Reddy's

THERE IS SOME RESPITE for Hyderabad-based drug maker Dr. Reddy's in Germany, albeit temporary. A German court has ruled that the contracts reached between AOK, Germany's largest public insurer, and some drug companies are illegal.

This means that a market that was rapidly headed towards commoditisation will now get there at a sedate pace. AOK had embarked on a generics procurement drive following a German government diktat to pharmacists to switch prescriptions in favour of AOK-approved suppliers, forcing down prices of drugs involved in this programme. This was part of healthcare reform started shortly after Dr. Reddy's acquired Germany's generics company Betapharm for $572 million in 2006.

DILEEP PRAKASH

SOME RESPITE: Compulsory prescription will now be stopped

Such compulsory prescription was hitherto unheard of in Germany. But healthcare reform means the branded generics market will be increasingly driven only by price and not by brand power. This made Dr. Reddy's take substantial write-offs recently on the cost of the acquisition.

Betapharm was unprepared for these changes as it did not have its own captive manufacturing and was locked into unwieldy supply contracts with a rival firm.

With latest court ruling, Betapharm gets to compete if and when these contracts are thrown open once again. This time, it will have Dr. Reddy's Indian manufacturing setup to rely on and also new, more cost-effective suppliers from eastern Europe, says an analyst with a foreign brokerage. Eventual generic-isation of the market though seems inevitable.

Gauri Kamath

STOCKMARKETS

In Choppy Waters

The turbulence in the global stockmarkets continues unabated

FROM THE AUTUMNAL gloom last August to the jitters early this year, the world markets have moved to the Ides of March. Most of the global equity indices are reflecting the continued recession in the US.

In the Indian context, such an impact is continuing to manifest itself in the net sell-off by the foreign institutional investors (FIIs).

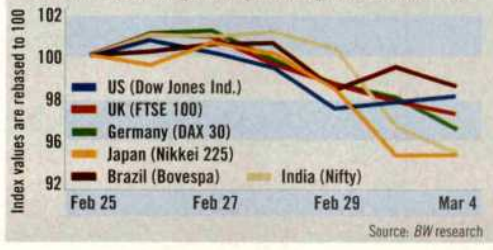
"The FII factor is also influenced by the Yen's continued appreciation against the dollar," says Dipen Shah, vice-president (private client group research) at Kotak Securities.

The professional wizards in the hedge funds are also feeling the heat. The first two months of this year saw Eurekahedge (EH) hedge fund indices take a beating. The tides are likely to remain choppy.

Rajesh Gajra

RATTLED AGAIN

Global horse drags along making all riders suffer



Source: *BW* research

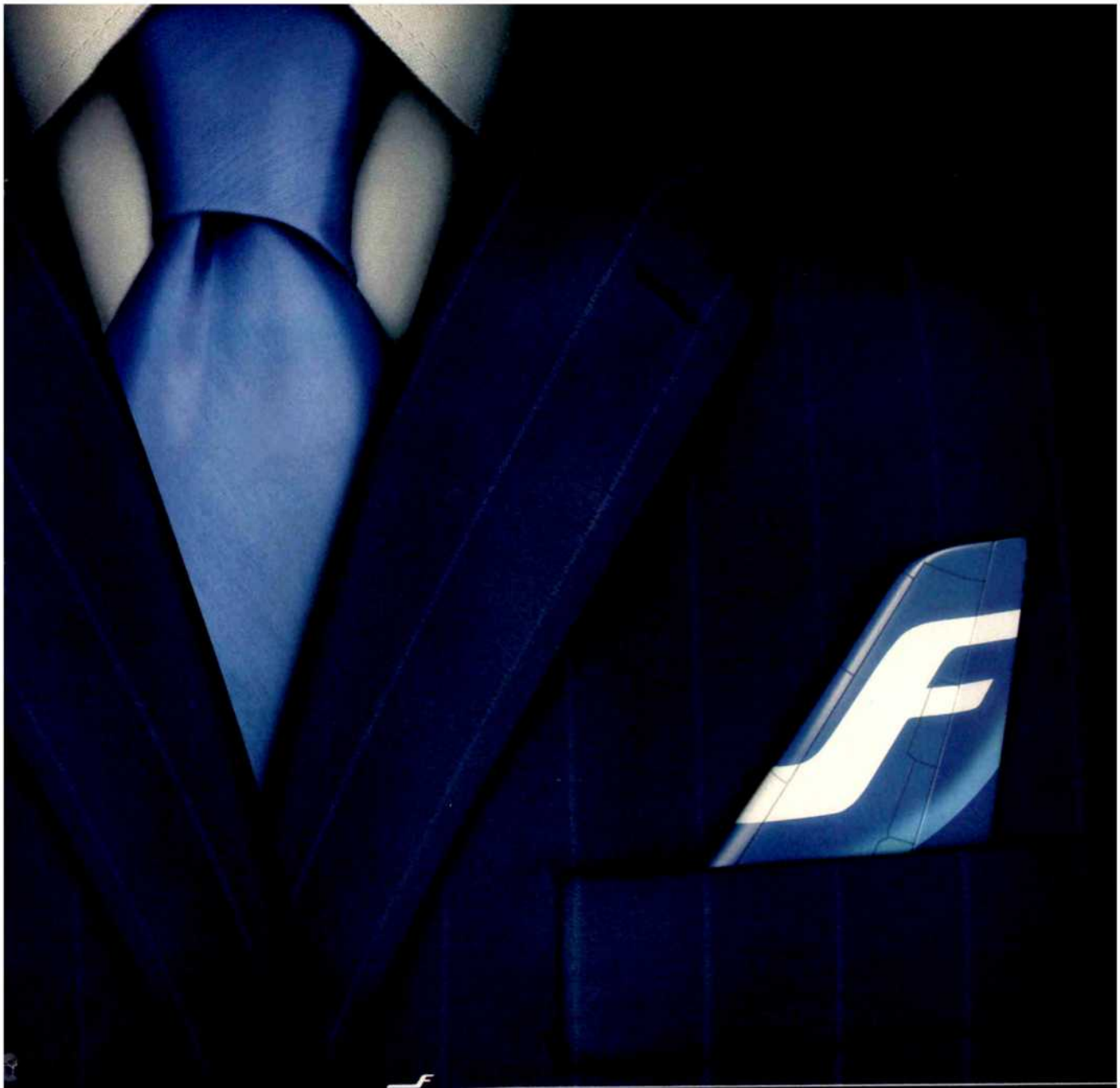
Campus

POLITICS

Mayawati relents: After a love-hate-relationship with the student community since she came into power, Uttar Pradesh Chief Minister Mayawati has lifted the ban on student union elections.

But the decision comes with some riders: the contestants cannot be older than 25, will need 75 per cent attendance in a proper college and cannot spend more than Rs 5,000 on the campaign.

40 million dollars. The estimated valuation of Scrabulous, a popular game on Facebook



JOIN THE FINNAIR CORPORATE PROGRAMME BETWEEN
1st - 31st MAR '08, UPGRADE TO A HIGHER LEVEL OF BENEFITS

Our special welcome offer elevates your organisation straight to a higher level of benefits. Fly on our fast and punctual airline to Europe* via Helsinki and find business trips on Finnair make better business sense.

For more information and membership application, visit www.finnair.com/in

oneworld

*To 50+ destinations in Europe including Amsterdam, Barcelona, Berlin, Brussels, Budapest, Copenhagen, Düsseldorf, Frankfurt, Geneva, Gothenburg, Hamburg, Helsinki, Kiev, London, Madrid, Manchester, Milan, Moscow, Münich, Oslo, Paris, Prague, Riga, Rome, Stockholm, St. Petersburg, Tallinn, Vienna, Vilnius, Warsaw, Zürich... Also to New York.
Terms & conditions apply.

FINNAIR
YOUR AIRLINE TO EUROPE

www.viahelsinki.com

Call Delhi : +91-11-43699200; Mumbai : +91-22-40524300 to 06 or Email: contact.in@finnair.com
Daily flights from Delhi & 5x weekly from Mumbai (6x weekly from Mumbai, including weekends, starting from June '08)

Ideas/Finnair/fcp/08

GOUTAM ROY

JSW's new venture

The Sajjan Jindal-owned JSW Steel Group will be setting up a 3-million tonne cement plant at Salboni in West Bengal. The company has already decided to develop a 10-million tonne integrated steel plant with an investment of Rs 35,000 crore in the region.

The proposed cement plant will become operational before the steel plant. As per the environment clearance for the project JSW cannot dispose any solid waste outside the project area. The new cement plant will utilise the slag of the proposed steel plant.

AT&T's India focus

Global telecom major AT&T is ramping up its India operations. This year, the company will set up three additional nodes and an internet data centre in India. This is part of a $1-billion global investment AT&T is planning outside the US in 2008. With an 85 per cent year-on-year growth, India is the fastest growing market for AT&T.

New designs

INCAT, a subsidiary of Tata Technologies and a global leader in engineering services outsourcing, and the Hindustan Aeronautics (HAL) have formed a joint venture — INCAT-HAL Aerostructures — to undertake work packages related to engineering and design services in aerostructures. The joint venture will be based in Bangalore.

BLOOMBERG

TCS reaches out to SMEs

Tata Consultancy Services has announced the launch of IT-as-a-service (ITaaS).

According to a company statement, (ITaaS), a subscription-driven model, allows SMEs to scale as they grow and pay as they use. It offers flexible pricing options to reduce capital expenditure, manage cash flows and maximise return on investment.

Yamaha recharges its India biz

Japanese two-wheeler maker Yamaha Motor has chosen to reignite its loss-making motorcycle business in India through a joint venture with Mitsui & Co., Japan's second-largest trading company.

Mitsui will take 30 per cent stake in Yamaha India for Rs 168 crore. Last year, Mitsui had acquired 3 per cent stake in Yamaha Motors of Japan. Yamaha India's manufacturing and business operations will be transferred to the new joint venture — India Yamaha Motors.

Volkswagen moves fast

German automaker Volkswagen (VW)

DEALTRACKER

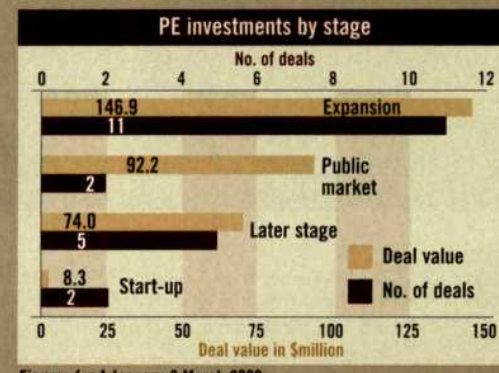
BW-THOMSON FINANCIAL PE TRACKER

February-March The Asian PE market saw 89 deals worth $682.30 million as on 3 March 2008. India was the largest market in the region with 52 deals worth $327 million. China was the second largest.

Top 10 India deals

TARGET	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Jai Balaji Group	Citigroup Venture Capital	US	69.29
Allcargo Global Logistics	Blackstone Group	US	60.00
Globe Capital Markets	Citigroup Venture Capital International Asia	Hong Kong	41.48
Arrow Webtex	ICICI Venture Funds Management Co.	India	35.15
NetMagic Solutions	Fidelity Ventures, Nexus Group	US	20.00
Uniparts India	AIG Capital Partners	US	20.00
Aujas Networks	IDG Ventures India	India	3.00
Lehren Entertainment	Undisclosed venture firm	US	NA
Kaati Zone	Erasmic Venture Fund	Mauritius	NA
Synergies Castings	Kubera Partners	US	NA

Figures for 15 February-4 March 2008



Figures for 1 January-3 March 2008

BLOOMBERG

has upped its stake in Swedish truck maker Scania. VW took control of Scania, buying the Wallenberg family stake in the Swedish company for $4.37 billion. This move will set the stage for broader consolidation in the global truck industry. Creating a larger truck company could make VW a credible global competitor to rivals Daimler and AB Volvo, both of which have strong truck businesses.

Expanding horizons

Chennai-based IT company Cognizant Technology Solutions has entered into a global systems integration alliance with T-Systems, the enterprise customer division of Deutsche Telekom. The alliance is aimed at catering to European corporations with global delivery requirements for system integration services. The alliance will help both the companies enhance their geographical footprint and tap into a combined talent base of over 110,000 employees worldwide. Expanded operations in key regions — Europe, Americas and Asia — are expected to significantly augment the growth of the two companies. As part of the new business partnership, T-Systems India and its approximately 1,150 employees will be transferred to Cognizant, subject to appropriate regulatory clearance.

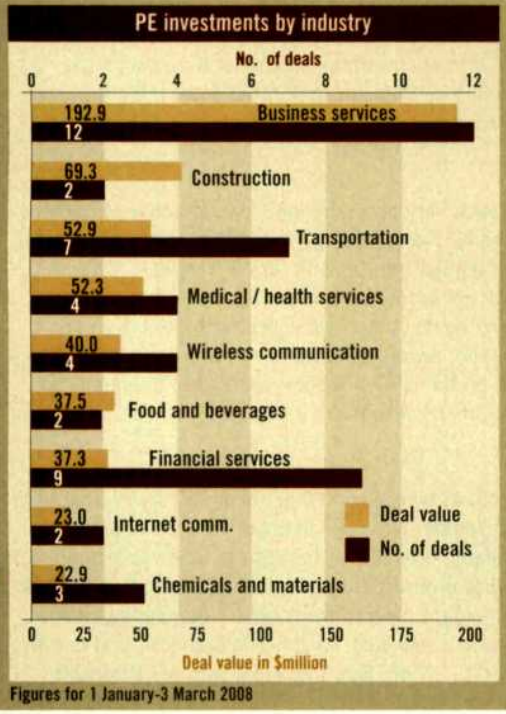
Going global

Consim Info, formerly known as Bharat Matrimony, has raised $11.75 million from Mayfield Fund, Yahoo and Canaan Partners. This funding will help the Chennai-based company to set up operations in the US and UK and also to promote its other verticals.

Spicejet eyes cargo biz

As part of its diversification plans, low-cost airline SpiceJet is aggressively looking at cargo business and has already started putting in place the necessary infrastructure, including $3.8 million, to establish a hangar facility. The airline is targeting cargo to account for 3 per cent of its total revenue for the next financial year. SpiceJet was recently awarded a courier services contract by India Post.

AMIT VERMA



Figures for 1 January-3 March 2008

Top 10 Asia deals

TARGET	TARGET NATION	INVESTOR	INVESTOR NATION	DEAL SIZE ($M)
Jai Balaji Group	India	Citigroup Venture Capital	US	69.29
Allcargo Global Logistics	India	Blackstone Group	US	60.00
Globe Capital Markets	India	Citigroup Venture Capital International Asia	Hong Kong	41.48
Arrow Webtex	India	ICICI Venture Funds Management Co.	India	35.15
Tonsun Foods (Group) Co.	China	GIC Special Investments	Singapore	30.00
NetMagic Solutions	India	Fidelity Ventures, Nexus Group	US	20.00
Uniparts India	India	AIG Capital Partners	US	20.00
Universal Education Group	China	Legend Capital, Sequoia Capital	China, US	10.00
Emar Networks	China	Walden International, CDH China Management Co.	US, China	10.00
Aujas Networks	India	IDG Ventures India	India	3.00

Figures for 15 February-4 March 2008

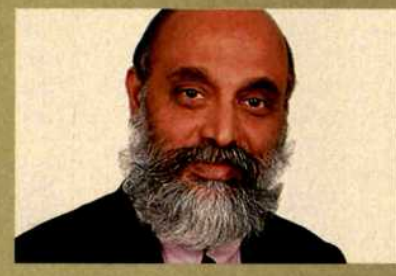
Note: Sum invested is actual money taken down or disbursed to portfolio companies. PE deals are classified as investments where the investor is a PE firm. The above tables do not include investments made by angel investors, hedge funds, trusts and corporate investors. Such investors are taken into account only when they have invested alongside PE firms.

Log on to www.businessworld.in for the complete list

Quick Take

Should we focus on developing thorium technology instead of buying uranium from the US?

We asked... Shankar Bajpai, Chairman, Delhi Policy Group, Brahma Chellaney, Professor of Strategic Studies, Centre for Policy Research, Mohan Guruswamy, Chairman, Centre for Policy Alternatives, M.V. Ramana, Physicist and Senior Fellow, Centre for Interdisciplinary Studies in Environment and Development, Manish Bhagat, Consultant, IBM, C. Uday Bhaskar, Former Director, IDSA and defence and strategic affairs analyst, Srickant Rajagopal, Assistant Vice-President, SSKI Corp Fin and Investment Banking, Yavnika Khanna, Sr Analyst, Strategy and Planning, Solutions Integrated Marketing Services, Amod Verma, Engineer, Qualcomm



"Generating electricity from imported reactors dependent on imported fuel makes little sense."

Brahma Chellaney, Professor, Centre for Policy research

"Thorium's techno-commercial viability has not been determined yet, so it doesn't make sense."

C. Uday Bhaskar, Defence and Strategic Affairs Analyst

"Neither, because thorium will not work out and uranium is too expensive."

M.V. Ramana, Physicist and Senior Fellow, CISED

Yes **45%**

YES BECAUSE: India is the second-most thorium-abundant country in the world after Australia with about 290,000 tonnes of thorium reserves. Even though the technology to use thorium for effective power generation is only in the R&D stage at the moment, some people are hopeful that it will work out in the long run. The implications of a possible Indo-US nuclear deal for the Indian nuclear power industry have been extensively debated ever since the issue first came up about two years ago. At one point late last year, the agitation by different lobbies in the government against the deal got so strong that it nearly got shelved. The idea of buying expensive uranium, which India doesn't even have the capacity to utilise optimally, doesn't go down well with some of our respondents.

No **33%**

NO BECAUSE: Thorium technology might sound very promising and cost-effective in the long run, but some respondents contest the notion of waiting for the technology to fructify. They say that it is unclear how long it will take to be fully functional considering that it is still only a 'concept'. Even if it becomes functional, its techno-commercial viability has not been determined yet. Given such a hazy future for thorium technology and India's pressing power needs, the nuclear deal with the US is an important step in the direction of economic transformation, according to some of our respondents. One view was, a successful agreement with the IAEA and then the NSG will allow us access to technology hitherto denied and which our scientific establishment promised to make up for.

Can't say **22%**

CAN'T SAY BECAUSE: Some chose not to take sides. While there was a view that both thorium and uranium technologies should be nurtured, another view was that neither are viable options. Thorium does not find favour with a lot of people. Similarly, uranium — because of its exorbitant prices and even more exorbitant prices of the reactors needed to utilise that uranium — also, at times, fails to find supporters. On the flip-side, some feel, there is an urgent need to meet India's burgeoning power demands for which the nuclear power industry needs to be developed. As things stand now, that can be achieved only by importing uranium, however expensive it may be. But it is, in no way, a sustainable strategy, which is why thorium needs to be considered seriously.

Vishu marks a new beginning in Kerala.
Make sure it does the same for your brand.

Vishu, which falls on April 14, marks the beginning of the marriage season in Kerala. And the start of yet another season of shopping.

Malayala Manorama

Nobody delivers Kerala better

Innovate, Or Pay More

by bill emmott

THROUGHOUT YOUR LIFETIME, WHETHER YOU are 25, 40 or (like me) 50 years old, the price of food has been falling, bit by bit, year by year. This fall has been more striking in proportion to your income: less and less of our money is being spent on food. The only exception occurred in 1974-75 when the oil shock sent fertiliser prices rocketing, and supply shortages made food prices rocket, too. We are now in another exceptional period, one that is affecting consumers all over the world, is making the UN's food-aid programme costlier, and is making life much harder for central bankers concerned about controlling inflation. The difficult question is: how long will this exceptional period last?

Genetically modified crops are the best answer to food-price inflation, but Europe needs to relax its barriers first

In dollar terms, the food-price index published by *The Economist* has risen by more than 60 per cent in the past year. For anyone using currencies that have appreciated against the dollar during that time, such as the euro, the rupee and other Asian currencies, the rise in food prices has been up to 10-15 per cent less, but it has still been painful. In the past, sudden rises in food prices have been caused either by bad harvests or by a factor such as war, which breaks up the global supply system. Neither of those is relevant this time. The global crop of cereals last year was a record 1.66 billion tonnes, 5.5 per cent higher than in 2006. Instead, the rise in food prices has two main causes.

The first reason is that demand for grains in China and other emerging economies has risen rapidly as a wealthier population starts to eat more meat, which requires more grain as animal feed. But that should cause a gradual rise, not sudden. It is much more true of China than of India, where demand for grain has been slower to rise. The second reason explains the suddenness: oil prices at $100 a barrel, along with a flood of subsidies, especially in the US, have caused a rise in demand for maize to be converted into ethanol for use as a substitute for gasoline. The US expanded its ethanol subsidy programme in 2005, encouraging farmers to switch to maize from other crops. Other countries have also provided incentives, but none with such dramatic effect.

The first of those factors is likely to continue. High food prices may slow down the rise in demand for meat in China, but it will not reverse it unless China's economy hits major problems. The second factor depends on decisions about ethanol subsidies and on whether oil prices stay high, encouraging more motorists to switch to ethanol. In a presidential election year in the US, no candidate is going to promise to cut ethanol subsidies.

Instead, the duration of this period of rising food prices will depend on three sorts of action. The first is by farmers. In response to high prices, they are planting more crops than ever before. The weather will determine how successful those farmers are, but with plantings increasing in many countries, the overall supply of food is sure to rise.

The second action will take longer. Governments and private investors need to devote more money to building infrastructure in rural areas in the poorest countries. That is where the most potential for increasing the amount of land devoted to farming exists. But India shows the problem: its demand for meat is increasing, but its farmers are barely benefiting. The reason is that their crops cannot get to market because of poor roads, and their other produce perishes, thanks to a lack of refrigeration and secure warehousing. Political opposition to allowing modern retailing is one problem. Misdirected rural subsidies and a lack of public funds for infrastructure is another. Hence the tinkering by the Finance Minister, P. Chidambaram, with rural incentives in his recent Budget.

The third action holds more potential, but depends on public opinion in Europe. In the past, farmers achieved bigger harvests by using new technology: better seeds, insecticides and fertiliser. A new technology, genetic engineering, could hugely increase crop yields using less insecticide and fertiliser. But public fears about food safety have had governments slow down development of genetically modified crops. As Europe is such a big food consumer, its qualms have discouraged other countries for fear their goods will be excluded from Europe.

The best response to food-price inflation would be for Europeans to relax those barriers to innovation in farming that are represented by genetic modification. This would require a new public debate and new efforts by scientists to persuade us that GM foods are safe, which would take time. But it could have a big effect over even just a five-year period. The choice is stark: pay higher prices, or let the innovation begin.

The author is a former Editor of The Economist.
policyworld.bw@gmail.com

A good year for Cape Town.

Daily flights from 30 March 2008.

Emirates SkyCargo now flies to the birthplace of Pinotage, a rare hybrid grape that is savoured by connoisseurs around the world. Our daily service ensures their unceasing demand is always met.

Dubai to Cape Town				Cape Town to Dubai			
Day	Flt. No.	Depart	Arrive	Day	Flt. No.	Depart	Arrive
Daily	EK 770	0835	1625	Daily	EK 771	1810	0540*

*Next day

Schedule effective 30 March 2008.

For more details please contact Emirates SkyCargo in Ahmedabad: 26406324, Bangalore: 25220327, Chennai: 22560339, Delhi: 25652479, Hyderabad: 27763509,

Rough Roads Ahead

by Pierre Mario Fitter and Baiju Kalesh

PHOTOGRAPHS: BLOOMBERG

HARD DRIVE: Investors are worried that Tata Motors may be stretching itself

Will Tata Motors be able to drive its costliest buys?

AN ILL-FATED, TWO DECADE-OLD STRATEGY IS about to end. When Ford hands over the keys to Jaguar and Land Rover (J-LR), it will end its troubled journey with the high-performance premium car brands, which have failed to pull in expected profits despite large investments.

Tata Motors is expected to finalise a deal for the two companies for just over $2 billion. However, recent reports indicate that the price might be higher than previously thought. Tata Motors is said to be looking for financing worth $3 billion to fund the deal. The *Financial Times* reports that Tata Motors's advisors on the J-LR deal, JP Morgan and Citigroup, have received instructions to arrange for funding from banks.

What worries investors is that Tata Motors may be stretching itself. This is a critical year for the company. In January, Tata Motors introduced its ultra-cheap car — Nano — to heavy national and global interest. It simultaneously launched a new platform for the Indica, its best selling passenger car. Later this year, it will also launch the World Truck, a project that has been under development with South Korean subsidiary, Tata Daewoo.

"Investors have not taken this deal positively as it will put a lot of pressure on Tata Motors' highly leveraged balance sheet," says Aniket Mhatre, an analyst with financial services firm, Prabhudas Lilladher. "Also, the Nano won't be profitable for at least the first two-three years. The combined effect is expected to put pressure on Tata Motor's margins and profitability."

In January, shortly after Tata Motors was made the preferred bidder for J-LR, credit rating firm Crisil downgraded the company's long-term debt ratings to a 'negative watch'. It said that the deal would be challenging for Tata Motors as a significant portion of combined revenues would come from two newly acquired companies where Tata Motors had "yet to build and demonstrate capabilities". The company's stock has dropped 7.9 per cent to Rs 702.65 per share on the year to date.

Future Strategy

What happens next depends on how well Tata Motors can handle the acquisition and service the considerable debt it will assume.

The group is known to retain the services of the current management team after taking over companies. This is exactly what happened when Tata acquired Spanish bus makers Hispano Carrocera and South Korean truck makers Daewoo Commercial Vehicles. Tata executives have likely already approached Jaguar's top management team to secure their services beyond the acquisition.

The Tata Group's reasoning is that it avoids the hassle of new managers having to learn the ropes. Employee morale also stays high as workers stick with bosses they trust. Still, some Tata Motors executives will definitely be sent to the UK to integrate the finance and business operations of the two companies.

Tata has also promised it will not tamper with Jaguar and Land Rovers' business plans, made by Ford up to 2011-12. This means that no employee will be fired and no plant shut down, even if these are a financial burden.

Scheduled roll-outs for Jaguar and Land Rover are also likely to carry on. "Ford has plans of launching a number of new models for the J-LR combine," says Mhatre. "[These] are expected to do very well in their respective markets. It could provide the much needed boost to Jaguar's profitability in particular."

Ford has also secured components from suppliers over the medium term. Tata Motors will enjoy this benefit as it will buy it time to integrate J-LR operations into its own extensive community of lower-cost suppliers, which include around 20 auto design studios, steel units and various component makers.

Chairman Ratan Tata also assures that Jaguar and Land Rover will not be re-badged as Tata vehicles. Jaguar dealers were disappointed when they realised that the once-legendary British brands would now be owned out of India. "For the European market, Tata Motors has a 'truck-manufacturer' image," says Mhatre. "Consumers may consider shifting their brand loyalty to competitors in such a scenario."

That is why Tata's decision to not tamper with Jaguar and Land Rover's "character" will be important. It is also consistent with moves from past acquisitions. Trucks sold in Daewoo's native South Korea do not bear the Tata badge. That emblem only appears on vehicles where the Tata brand is more well-known than Daewoo, such as markets like South Asia or Africa.

What Tata Gains...

The most obvious benefit for Tata Motors is the technology it will now have access to. Both Jaguar and Land Rover use advanced technology and design and production techniques to churn out their vehicles. These include the use of lighter materials such as aluminium as well as considerably more advanced engine and transmission technologies. "Land Rover's SUV technology [in particular] could be useful for the Tata's current products in the segment," says Yezdi Nagporewalla, National Industry Director (industrial markets) at KPMG.

Then there's green tech. At the ongoing Geneva Motor Show, Tata Group Chairman Ratan Tata said that he was interested in producing green cars. "We are very keen and... are looking at working on vehicles that run on biofuels, electric vehicles and hybrid fuels," he told journalists. Land Rover already has one hybrid concept — the LRX — and says it would invest £700 million in the development of sustainable technology over the next five years.

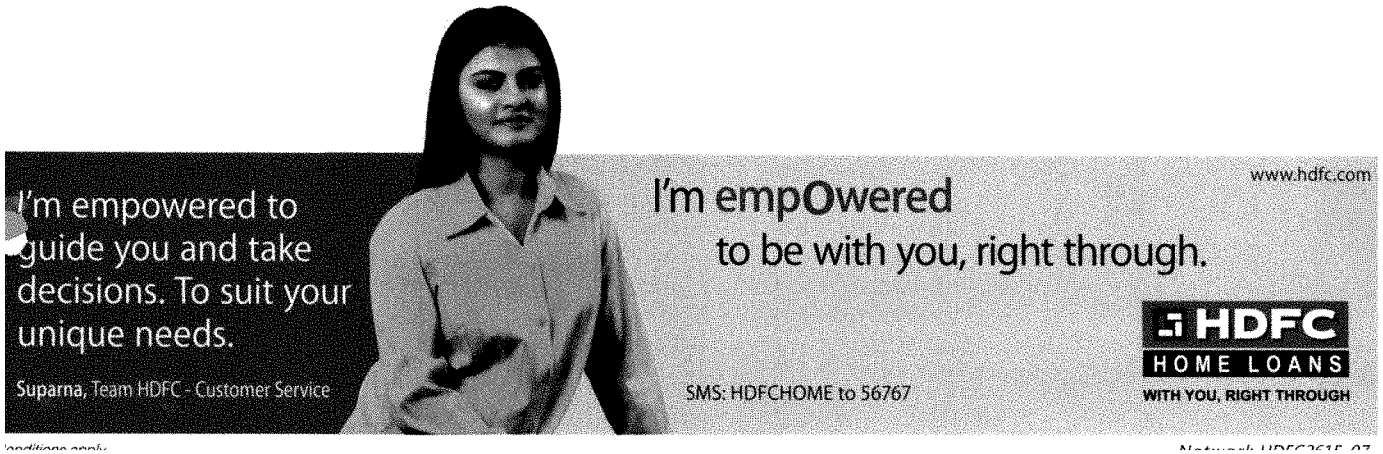
Finally, and perhaps most importantly, the two brands will give Tata Motors a foothold in the luxury space. This means that the company will have a readymade offering in every car segment from ultra-cheap (the Nano) to utilitarian (the Indica) to commercial vehicles (Ace, World Truck) to SUVs (Sumo, Safari and Land Rovers) and, finally, to premium, high-performance cars (Jaguar).

The fact that it can literally buy premium brands off the shelf means that it won't have to invest its own time and money to catch up with high-end technology. This is exactly what has put car makers such as Honda or Toyota at a disadvantage in the premium segment in markets such as the US.

For the moment, it is unclear whether Tata's gamble will work. $2 billion is a lot of money and, if the analysts are right, Tata Motors may not be in the best position to pay it all back. Still, the Tata group is arguably one of the most professionally managed corporate houses in the country, if anyone can pull it off, they can.

pierre.fitter@abp.in and baiju.kalesh@abp.in

BRAND POWER: Jaguar and Land Rover will not be re-badged as Tata vehicles



Speed Thrills Telcos

by M. Rajendran

STAY CONNECTED: WiMAX can offer internet access speeds of more than 14 mbps

EASING WORRIES OVER AN IMPENDING slowdown, WiMAX (Worldwide Interoperability for Microwave Access) could pretty much be the game changer in the telecom industry. So, it is attracting strong lobbies for and against this 'disruptive' technology, which can offer wireless internet access speeds of more than 14 mbps, as against the wireless data cards that are offering only up to 256 kbps right now. A single WiMax base station can cover a radius of 7 km.

Among lobbyists, mobile operators, such as Bharti Airtel and Vodafone Essar, want it to be clubbed with 3G licences. The small, but vociferous, lobby of internet service providers, that include companies such as Tata Communications (TCL — formerly VSNL), want it to be delinked from 3G spectrum allocation.

The tussle between the big telecom operators to prevent new players from securing WiMAX spectrum before a 3G spectrum has entered a decisive phase.

What's adding to the chaos is that at least seven players have already been given the go ahead — and the spectrum — to launch WiMax. Last year, the Department of Telecommunications (DoT) awarded spectrum in the 2.7-3.3 megahertz band for offering broadband services on any technology, including WiMAX, to BSNL, Reliance Communications, TCL, Tulip Software, Bharti Airtel, Sify and a few internet service providers.

WiMAX will remain a dream till spectrum is made available

Their fate hangs on the government's decision. Those that have the spectrum (6 MHz were given initially), have just enough for pilot projects. Another 6 MHz for commercial launch have been held up because the government is yet to announce the wireless broadband policy.

The largest telecom operator, Bharat Sanchar Nigam (BSNL), has already completed a pilot project in six cities, and is likely to roll out its services in 100 cities by the end of the year. It has announced a $750-million investment for WiMAX service by 2012. "We'll use WiMAX to provide broadband connectivity to all the villages by 2010," says Kuldeep Goyal, CMD, BSNL.

TCL, the internet service provider licencee, has drawn up a $500-million plan to roll out WiMAX-based services all over the country by 2010. "WiMax operators will target the huge urban population first, like telecom operators did, and then look at the rural market," says Shankar Prasad, President of TCL's Retail Business unit.

Aircel has also launched commercial WiMAX networks for institutional users. However, operators have not been able to make much headway in the absence of spectrum.

But the path to WiMAX adoption is unlikely to be free of the tribulations associated with telecom sector in India. The Cellular Operators Association of India (COAI) has been advocating that WiMAX should be part of IMT 2000, the global standard for 3G. This will primarily benefit GSM companies; CDMA players want it to be separate. The telecom regulator had recommended that the spectrum 2.3/2.4 Giga hertz (GHz), 2.5–2.69 GHz, 3.3–2.4 GHz, and 3.4–3.8 GHz as suitable for WiMAX.

Sources in the Wireless Planning Commission, a spectrum-allocating wing of DoT, say that it has only 60 MHz available. DoT officials have sent a proposal to allocate 20 MHz to BSNL for its rural roll-out, while the rest 40 would be auctioned to two highest bidders. There is no clarity on what happens to the other 6-7 operators who are offering WiMax services. Besides, DoT hasn't cleared the policy for a year now. The broadband wireless policy is still with Communications Minister A. Raja.

Globally, mass scale WiMax is being rolled out this year. International revenues are projected to reach $14 billion by 2009. India had the foresight to project WiMAX as the technology to provide broadband usage to 20 million customers by 2010, including 3-5 million in rural India. However, execution has been tardy. Just 21 months before that deadline, India has only 3 million broadband users. The total number of WiMAX subscribers in India is likely to touch 21 million by 2014, according to a report by Maravedis Telecom Market Research firm entitled "INDIA Wireless Broadband and WiMAX Market Analysis and Forecasts 2007-2014.

If demand picks up, India can soon be a huge market. But, the taste of the pudding is in eating, WiMAX broadband will remain a dream unless the spectrum is made available.

m.rajendran@abp.in

Shadow President

by T.K. Vineeth

Russia's new President will need an image makeover

IT WAS AN ELECTION WON EVEN BEFORE contesting. Dmitry Medvedev, Russia's first deputy prime minister, was widely expected to win in the presidential elections held on 2 March. While nobody had anticipated any of the rival candidates — Gennady Zyuganov, Vladimir Zhirinovsky and Andrei Bogdanov — to fare well at the hustings, the huge margin by which Medvedev won — 70.23 per cent — has Kremlin critics crying foul that the polls were rigged and that people were coerced to vote for Medvedev.

"It (forceful voting) was not to the extent as was reported in the western media," says Irina Kozyreva of Russian news agency Ria Novosti in New Delhi. "Even if the voter turnout was low, Medvedev would have secured well above 60 per cent of votes." According to a survey by Levada Center, a Moscow-based research organisation, in 2004, when President Vladimir Putin stood for a second term, 40 per cent of Russians were ready to vote for any successor without bothering much about the name.

Clearly, it was Putin's immense popularity that helped Medvedev win. For the Russians, Putin was a leader who saved the country from the chaos left by his predecessor, Boris Yeltsin. "Russians are not that much bothered about economy or business as much as their pride," says Deepak Loomba, MD & CEO, DeCore Science & Technologies, in New Delhi. Loomba was till recently running various businesses, including a metallurgy company, in Russia. "Putin gave Russians their pride back."

It is unlikely that Medvedev — a close associate of Putin for 17 years — can effectively replace the former KGB man. Domestic issues, such as Chechnya could trip the new President. Putin had brought Chechnya, under control by acting tough on the rebels and by giving more powers to the region. According to Kozyreva, Medvedev is likely to adopt a milder stand.

"Medvedev is a weak leader," says P. Stobdan, senior fellow at Institute for Defence Studies and Analyses, New Delhi. "He is going to be a puppet for some time." If foreign policy was Putin's strong point, Medvedev is unlikely to make any radical policy changes. "He lacks experience in foreign policy," says Stobdan.

In his last news conference held on 14 February in Moscow as President, Putin stated that Medvedev would need no assistance from him (Putin) if elected. He also mentioned that he was prepared to be the premier.

As per the Russian constitution, a president cannot run for office for more than two consecutive terms. But it doesn't preclude one from contesting a third term — if done after taking a break. So, Putin's coming back in 2012 cannot be ruled out.

As long as Russians want Putin to be their czar, he is likely to make a comeback — in one way or the other.

tk.vineeth@abp.in

NEW DYNAMICS: Dmitry Medvedev (R) with Vladimir Putin

Governance Deficit

by Rajesh Gajra

Sebi can't afford to take corporate governance lightly

FROM THE OUTSIDE IT WOULD APPEAR THAT THE corporate world and the securities market regulator would be seized with the issue of corporate governance. But scratch a bit and another reality begins to become visible.

On 25 February, a full-day dialogue-cum-workshop was held for companies and institutional investors with a matter-of-fact title of 'What is the connection between corporate governance and firm performance in India?' About 50 participants attended this event that was organised jointly by the Global Corporate Governance Forum (GCGF), an International Finance Corporation (IFC)-managed trust fund facility, and the National Institute of Securities Markets (NISM), a trust body set up by the Securities and Exchange Board of India (Sebi).

Even as corporate governance issues attract such high-profile dialogues involving industry, investors and regulators, the degree of seriousness is not correspondingly great. The driving theme in the IFC-NISM dialogue was the detailed findings from an extensive survey of India's 370 listed companies conducted together by three faculty members — N. Balasubramanian of Bangalore-based Indian Institute of Management, Bernard Black of Austin-based University of Texas and Vikramaditya Khanna of University of Michigan. This was being presented to an Indian audience for the first time.

The survey findings were worthy of note, but the problem was the survey was conducted two years ago, in early 2006, and based on 2005-end data of the Bombay Stock Exchange (BSE). It was old data and the survey's broad conclusion was to suggest that compliance with corporate governance rules in India was "good, albeit with room for improvement, and that better governance seems to correlate with higher firm market value for at least bigger firms".

Further, the December-end 2005 quarter was the first quarter for listed companies to comply with revised and strengthened corporate governance measures spelt out in clause 49 of the listing agreement between the company and BSE or National Stock Exchange (NSE). The revisions essentially raised the bar for ensuring adequate representation of independent directors, setting up of an independent audit committee and CEOs' role in ensuring implementation of internal controls.

Clearly, therefore, presenting an early-2006 survey findings in early 2008 was clearly out of place. Next time, however, the participants could be better off. "Our intention is to update the survey and work on fresh data," says Eugene Spiro, senior projects officer at GCGF.

This is disappointing progress, given that Sebi itself had, as recently as September 2007, acted against companies not complying with corporate governance norms. This involved initiating adjudication proceedings against 20 companies whose names, though, were not revealed by Sebi. The number of non-complying companies are, however, much higher — 1,314 companies on BSE and 84 companies on NSE (see table 'Giving A Go-by'). "It is possible that 60-70 per cent of such companies would be lacking in compliance due to lethargy but the rest could be cases where they would want to wait and watch to see what action would be taken against them for not complying," says Chetan Dalal, a certified fraud examiner and an internal auditor for some listed companies.

Sebi needs to ask NISM to focus on compliance issues more in its dialogues with the industry. "Unless NSE, BSE and Sebi go the whole way to ensure timely compliance, it will be reduced to just a statute on paper," says Virendra Jain who heads Midas Touch Investors Association, a Sebi-registered investor group.

rajesh.gajra@abp.in

GIVING A GO-BY

Hundred of firms have failed to comply.

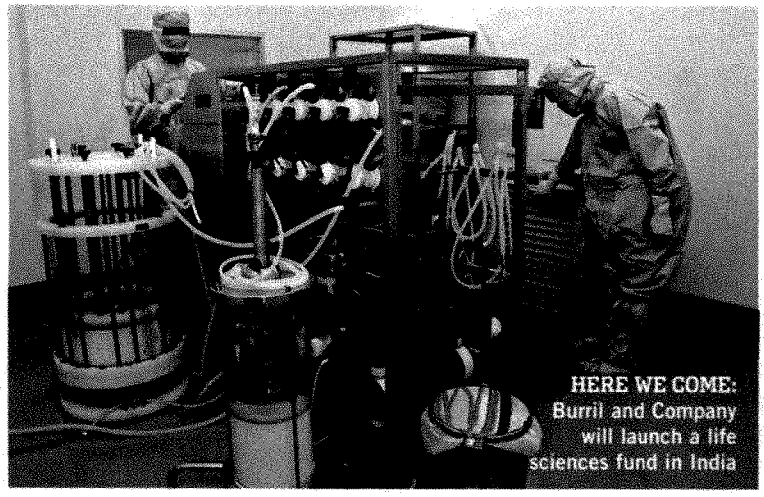
	Market price (Rs)	Market Capitalisation (Rs crore)
Biocon *	446	4,463
Madras Cements *	3,640	4,397
Bharati Shipyard	630	1,721
Orissa Sponge Iron & Steel	429	858
Infomedia India	226	447
Ramkrishna Forgings	264	405
JCT Electronics	6	372
Confidence Petroleum India	18	371
Revathi Equipment	1,003	308
Elpro International	650	231

*These firms are in BSE-200 index. The above BSE-listed firms are among the actively traded and the largest in the list of 1,314 firms that had not submitted quarterly corporate governance report as of Sept 2007 quarter.

Sources: Sebi, Capitaline

Pumping Life Into Biotech

by P. Hari in San Francisco



HERE WE COME: Burril and Company will launch a life sciences fund in India

SANJAY SAKARIA

After IT, the Valley has its eyes set on India's biotech industry

WHEN THE INFORMATION TECHNOLOGY INDUSTRY does something, can the biotech industry be far behind? For several years, many Indian observers had been waiting for India's biotech industry to follow in the footsteps of its more famous brethren. However, the biotech industry is now preparing to follow the IT industry to the most innovative area in the world: Silicon Valley.

Within a few months, the Valley-based Burril and Company will launch in India a life sciences fund sized between $150 million and $250 million (Rs 600 and 1,000 crore). Burril and Company is a conglomerate with interests in venture funds, merchant banking, and media.

This is the first time a large overseas venture firm is forming an India fund for life sciences. The Indian biotech industry has not had the benefit of too many specialised venture funds. Six years ago, APIDC-VCL had started the first pure biotech venture fund in India. Two years ago, Nadathur Holdings and Investments and Kotak Private Equity Group formed their own pure life sciences funds. In the 1990s, ICICI Venture had invested in some life sciences companies, a list that included Biocon.

However, all these funds put together are not enough for a rapidly expanding biotech industry. "There is still shortage of capital in India's biotech industry, especially for deals larger than $10 million," says Sarath Naru, managing director of APIDC-VCL. The Indian funds were small compared to international funds. APIDC-VCL's fund is worth Rs 150 crore. Kotak's fund is worth $68 million (Rs 260 crore).

None of these venture funds brought in international biotech experience; they are all headed by VC industry veterans and not biotech industry experts. Indian biotech entrepreneurs probably lacked business experience, but since the biotech industry is still at a nascent stage, it needed technical expertise as well. Burril has this expertise. Its Managing Director, Ganesh Kishore, was the former head of R&D at Monsanto, and is well known in the biotech industry for leading the R&D that led to the transgenic Bt cotton. Burril has other technical experts as well, many of them having spent decades in the academia and the biotech industry.

Burril now has more than $500 million in investments in four different funds. It has invested in around 40 companies worldwide. Burril had last year started a Malaysia Life Sciences Fund. By Indian biotech standards, $150 million is a big fund. But it is the network and expertise that Burrill's Indian portfolio companies would find most useful.

p.hari@abp.in

HEADLINE STUFF

Here are some of the hottest media alliances, which will be seen in the Indian market soon.

FINANCIAL TIMES	CNBC TV18	*Financial Times* is all set to jump into the arms of Raghav Bahl's CNBC-TV 18.
FORTUNE	ABP	*Fortune* will be brought out by ABP, the publishing house that also owns *BW*.
Forbes	CNBC TV18	CNBC-TV 18 is in alliance with *Forbes* to launch a business magazine in India.

Source: *BW* research

Watch The Stands

by Raghu Mohan and Gurbir Singh

Many new entrants will soon invade the news segment

HACKS (JOURNALESE FOR JOURNALISTS) HAVE never had it so good. Soon, their job market is going to be on fire with at least five major new publications and channels set to launch. These include an Indian edition of Forbes, of Fortune (which will be brought out by ABP, the publishing house that also owns *BW*), business dailies from The Deccan Chronicle and Network18, and a business channel from UTV.

With the new ventures paying big bucks to attract talent, several scribes are strutting around like peacocks. Let's take the business magazine segment. *Business India* is the oldest, having started 30 years ago when a London-returned lawyer, Ashok Advani, spotted an opportunity. The out-of-the-box thinker got ambitious and forayed into television in the mid-1990s, but flopped. It is, therefore, a head-to-head battle between *BW*, the market leader according to the Audit Bureau of Circulation (ABC), and Living Media's *Business Today* (*BT*), which does not have its sales audited. The new kid in this segment, *Outlook Business*, is also doing well.

But just how many will succeed? Advani says that only "quality players will survive". But that's the danger. Not everyone can deliver real quality, especially given the talent crunch in media and the questionable business practices of several publications, who sell their edit content. This is either done through 'innovations' such as private treaties, where companies give publications equity in return for positive coverage, or the quid pro quo of ads-for-coverage. (Note: *BW* has consistently retained its editorial independence by refusing to enter into such deals).

Global titles, such as Fortune and Forbes, are clearly betting on their brand name and India's growing economy to make a place for themselves. India, with its huge English-speaking audience, is one of a few countries where the news business is growing. That's what lured *The Wall Street Journal* into partnering the *Hindustan Times* to launch the business daily *Mint*.

A host of non-media organisations is also believed to be keen on entering media. For instance, the Jain International Trade Organisation (JITO), a group of rich Jains, has decided to launch a business monthly *Jito World* in English and Gujarati. The grapevine has it that there are many suitors for the deeply-in-debt *Business India*. One name doing the rounds is the Motilal Oswal group, which has been wooing Advani, who has thus far not given in. Recently, Advani, who holds a 51 per cent stake in *Business India*, has secured a few rounds of funding from private investors. His creditors and employees will cheer a deal, no doubt.

Among the dailies, *The Economic Times* (*ET*) is the market leader. Business Line and *Business Standard* (*BS*) are in a slugfest for the next slot. *The Financial Express* has made the laggard's spot all its own but is strong enough not to give it up entirely. *ET* has also launched a Gujarati edition in Ahmedabad, and a Hindi version is in the pipeline. Ditto for *BS*. *Mint*, which started with Delhi and Mumbai, entered Ban-

galore in November 2007, and Chandigarh in March 2007, is now aiming for Kolkata. Raghav Bahl's Network18 is also expected to launch a local version of the *Financial Times*.

There will be a shakeout as no economy in the world has so many business dailies. So while the success of many of these publications is unclear, their fight for manpower is sending salaries soaring and fancy designations are for the asking. Many more are breaking past the one-'lach' per month sound barrier! The star recruiter is the yet-to-be-launched business daily from the *Deccan Chronicle* stable. Says R Jagannathan, managing editor of *DNA*, who is also a former editor of *BW*, "We are now getting brighter people because of the hikes, but some of the cleverer ones have also got in. I think it is time to go to journalism schools and have courses tailor-made for a paper's needs."

On the idiot box front, Ronnie Screwvala's business channel, UTV-i, has been moving slowly due to shortage of good heads. Folks at CNBC have not taken the bait on account of the shares and shelters in Mumbai they have been given. UTV-i is expected to go on air sometime in March this year.

Currently, there are four business channels in the country: CNBC, NDTV Profit, the yet-to-launched UTV-i and Zee Business. "I am inclined to believe that there is a death wish on the part of some channels," says Ajay Chacko, TV-18's director of business media. "We believe the success of CNBC Awaaz shows there is potential in this segment, but as far English business channels go, I don't think so. Part of this business is commoditised, part of it is about giving a perspective. But just how much perspective can you give? Then where is the talent?"

A slew of international lifestyle magazines is also coming. *The Rolling Stones* has been the latest to launch, but several others such as *Vogue* and *Vanity Fair* from the Conde Nast stable, *Harper's Bazaar* and *GQ* are all hiring. Clearly, the luxury segment is growing. A section of Indians is getting wealthier if the 30 per cent growth rate registered by the wealth management industry is any indication. It is estimated that in another four years, this market will be worth $1 trillion with about 42 million households. This translates into a spin-off for journalists as publications want to tell the new class of wealthies how to spend their bucks.

raghu.padmanabhan@abp.in

AHMEDABAD: Tel: 6630 7000. **BANGALORE:** Tel: 4118 3000. **BHOPAL:** Tel: 443 3333. **BHUBANESHWAR:** Tel: 253 4335/4555, 653 2020. **CHANDIGARH:** Tel: 398 9123. **CHENNAI:** Tel: 2859 9300. **COIMBATORE:** Tel: 430 1100, 439 9881-82. **GUWAHATI:** Tel: 266 6000. **HYDERABAD:** Tel: 6647 5001. **INDORE:** Tel: 443 3333, 422 3300. **JAIPUR:** Tel: 98750 88888, 515 0888. **KOCHI:** Tel: 93877 66666, 301 1200. **KOLKATA:** Tel: 2321 5060. **LUCKNOW:** Tel: 398 9123. **MUMBAI:** Tel: 6663 6000. **NAGPUR:** Tel: 256 6000. **NASHIK:** Tel: 660 6000. **NEW DELHI:** Tel: 4111 5111.

The Height Of Prices

by Gurbir Singh

The Imperial symbolises the vertical lift in realty prices

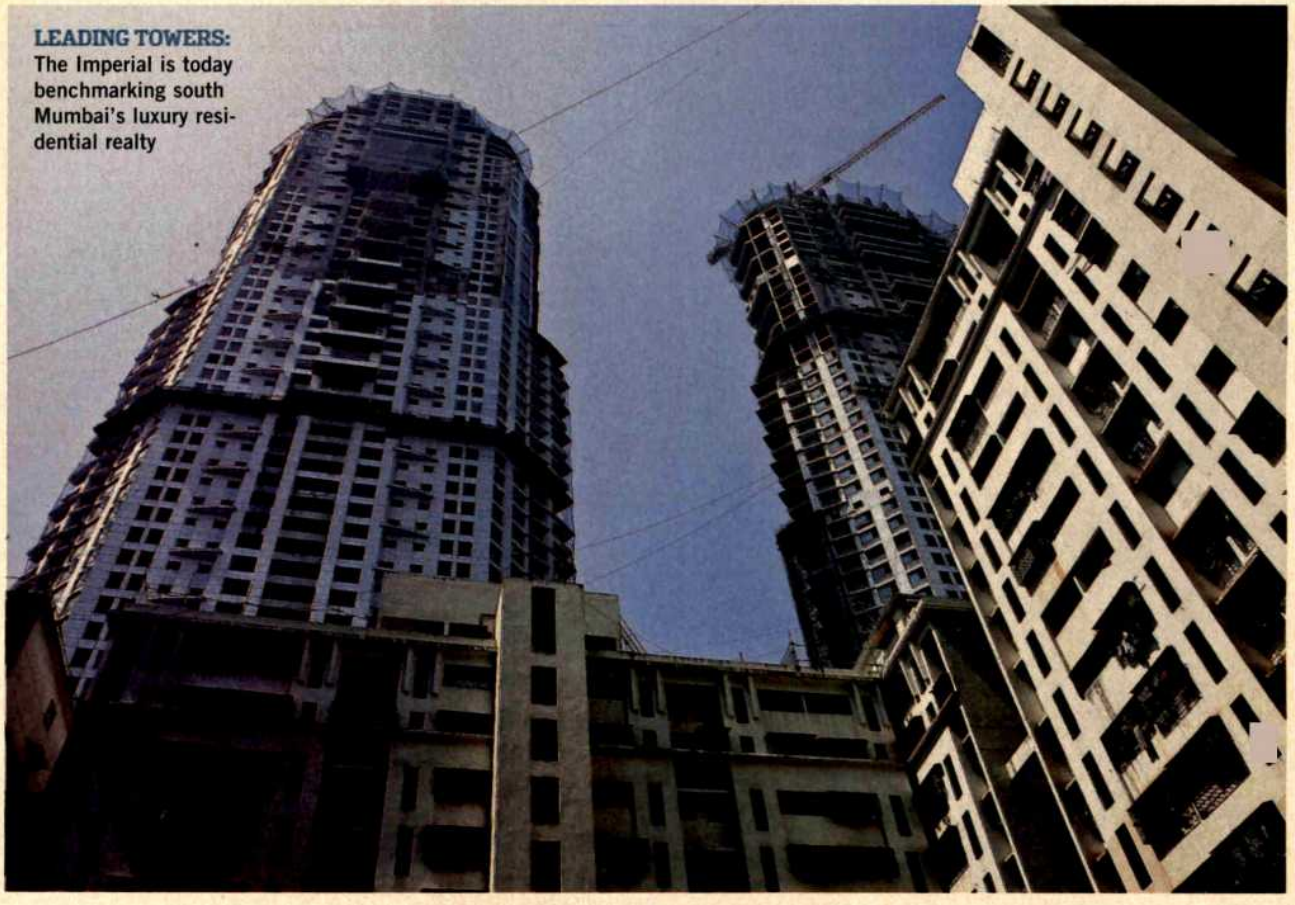
THE TWIN CYLINDRICAL TOWERS BELOW CUMBALLA Hill in South Mumbai have become a landmark. Driving down the Worli sea face or looking north from Marine Drive, the 60 floors sprouting into the skyline cannot be missed. Two conical tops for the buildings are yet to come, which when in place will make them the tallest structures in the country. Dilip Thakker, one of the promoters of 'The Imperial', as the under-construction project is known, says with a wry smile, "We have to thank those who opposed the project. The delay has given us a windfall." Thakker is referring to the NGO and 'citizen' protests that had delayed the project.

Amit Thakker, his son, who handles marketing for the Shapoorji Palonji-Thakker joint venture, says the current asking rate is Rs 34,000 a sq. ft. At lower levels, a recent sale was at Rs 27,000 a sq. ft. There are a couple of five-bedroom, 10,355-sq. ft flats on the 49th and 53rd floors. If Amit Thakker gets his asking rate, they will cost the buyer a little over Rs 35 crore each.

In many ways, The Imperial represents the surrealistic spectacle being played out in rich south Mumbai's realty market, where prices are bucking the general downturn to touch new highs. Little supply of super-luxury flats and a lot of people with money to burn may not fully explain the prices here that are as sky-oriented as The Imperial.

Horizontal To Vertical

The Imperial itself has a chequered history. Interestingly, the project, started in 1997, is a slum rehabilitation scheme. The project promoters have housed around 2,500 slum families of M.P. Mill Compound, who were living on 13 acres of government land, into 15 rehab buildings. The quid pro quo is that the promoters have been permitted to carve out five acres for The Imperial, whose 228 super-luxury flats will give them back not only their investments, but



LEADING TOWERS: The Imperial is today benchmarking south Mumbai's luxury residential realty

SUBHABRATA DAS

Get up to 50% off on www.travelguru.com with your Visa Card*!

Book any domestic air tickets, hotels or holidays on www.travelguru.com with your Visa Card and earn a Discount eVoucher.

Discount eVoucher (% of base amount)		
Card	on Airlines	on Holidays or Hotel Bookings
Visa Signature	50%	25%
Visa Platinum	25%	25%
Visa Gold	15%	15%
All other Visa Cards	10%	10%

Redeem this eVoucher for savings of up to 25% on your next hotel or holiday bookings. Make the most out of what life has to offer, only with Visa.

Other exclusive privileges for Visa Signature, Platinum and Gold Cardholders.

- ***Get a complimentary movie ticket for your companion at www.pvrcinemas.com***
- ***Get tantalizing dining offers at all Pizza Hut restaurants.***

travelguru™
India's Largest Hotel Network

VISA
All it takes.

For more details log on to **www.travelguru.com** or call MTNL/BSNL Toll Free: **1-800-22-4878** or Airtel Toll Free **1-800-102-4878** or **022-40304878 (Standard charges apply).**
*Terms and Conditions apply. Offer valid up to July 31, 2008. Please check with your bank if your Visa Debit Card has been activated for Internet purchase.

ROOM FOR AFFORDABLE HOUSING

After achieving the first close of $100 million for its India-specific real estate fund recently, private equity player Actis is close to signing a few mid-segment housing projects. Actis's real estate division managing director Chanakya Chakravarti is bullish on affordable houses priced between Rs 30 lakh and Rs 70 lakh per unit. "The demand is well documented in the affordable housing segment. Though a lot of people want to work there, very few are addressing it," says Chakravarti. "In the last 12 to 18 months, the action has largely been in the premium segment. When the correction comes, it is that end which will be impacted first." Even as private equity players race to raise money for Indian real estate, there is a dearth of bankable projects. Chakravarti says that's why Actis has decided to focus on areas like emerging business destinations. Whether Actis's strategy pays off is yet to be seen, but there is a need for more affordable housing and non-IT commercial projects in the country.

also a handsome profit, they hope. Construction has been long and tiresome, as the project was stopped in December 2004 after it was seen as an environmental hazard. Those with flats atop the Cumballa Hill protested as the two monstrosities were blocking their panoramic view. Others said, the hill might collapse. After long court battles and a certificate from IIT Mumbai and L&T, the project trudged on.

Detractors of the project say that on the pretext of a slum rehab scheme, the promoters have got hold of government land for free. Amit Thakker says that the developers, S.D. Corporation has invested Rs 175 crore in rehabilitating the slums. Total project cost is over Rs 700 crore. A board in the site office says the interiors of The Imperial will cost Rs 104 crore.

New Property Price Points

Beyond the social disputes, The Imperial is today benchmarking south Mumbai's luxury residential realty. "It is a new-generation building with aluminum cladding," says project architect Hafeez Contractor. "The USP is we give apartment owners a breathtaking view in three directions." From Level 12 to 39, the interiors are by Pinakin Patel. In the upper reaches — Level 49-54 — interiors are by New York-based architecture and interior design firm Craig Nealy Architects . Take your pick at Rs 34,000 a sq. ft!

Even as news flows in from centres such as Whitefield in Bangalore and Gurgaon in Haryana that real estate prices are dipping, Shapoorji and S.D. Corporation are pushing up their rates. Others in Mumbai's luxury segment are not going slow either. DSK Corp, which has constructed a pencil-thin, 32-storey tower called 'Durga Mata Towers' near the Ambani family building 'Sea Wind' in Colaba, sold its last apartment — a duplex measuring 4,046 sq. ft at Rs 5,000 a sq. ft — for a cool Rs 20 crore! Sumit Arora, marketing chief of DSK, says the company was holding back on the last of its duplex flats on the 28-29 floors as it was hoping to get a price of Rs 60,000 a sq ft.

Unitech has tied up with Rohan Developers in south Mumbai for a few upscale sites, including one on Marine Drive's Chowpatty and another on Altamount Road. "When these come into the market, bookings are expected to start at Rs 35,000 a sq. ft," says Akshaya Kumar, head of broking firm Parklane Properties.

But there are bigger jaw-droppers coming. A super-luxury tower on Mumbai's posh Pedder Road, a JV between Ispat Industries and builder Sameer Bhojwani, is ready; it starts at Rs 75,000 a sq ft. There are only 18 duplex flats of 6,000 sq. ft and more. Bhojwani has not sold anything yet, it is believed, but when he does, each scalp will be worth Rs 45 crore!

DSK's Arora says that builders could afford to push up prices in markets such as south Mumbai as there is very little supply of super-luxury flats while there are many who have the money to pay for it. Yet, the stupendous rise in prices in south Mumbai in a correcting market has unnerved even the most cynical property pundits.

Speculation has it that builders are shoring up property values by calculated leaks of a few freak, big-ticket deals. Last November, Citibank sold a flat in NCPA Apartments on the Marine Drive waterfront for Rs 34 crore, that is at a rate of over Rs 97,000 a sq ft. The deal created a buzz in the property market and helped jack up prices further in south Mumbai. Many of these purchases involve those in the realty business themselves. Sameer Gehlaut, executive director of Indiabulls, is believed to have pulled off a purchase of an apartment in developer Suresh Raheja's famed Chattan Bunglow project on Malabar Hill for a price close to Rs 1 lakh a sq. ft. Two years earlier, another Indiabulls director, Gagan Banga, bought a flat in Cuffe Parade's Maker Towers B from Citibank for Rs 7.2 crore, a rate of Rs 37,500 a sq. ft. In January 2006, he created a new price point. Now, Gehlaut's Chattan Bunglow purchase has pushed the price point further for 2008.

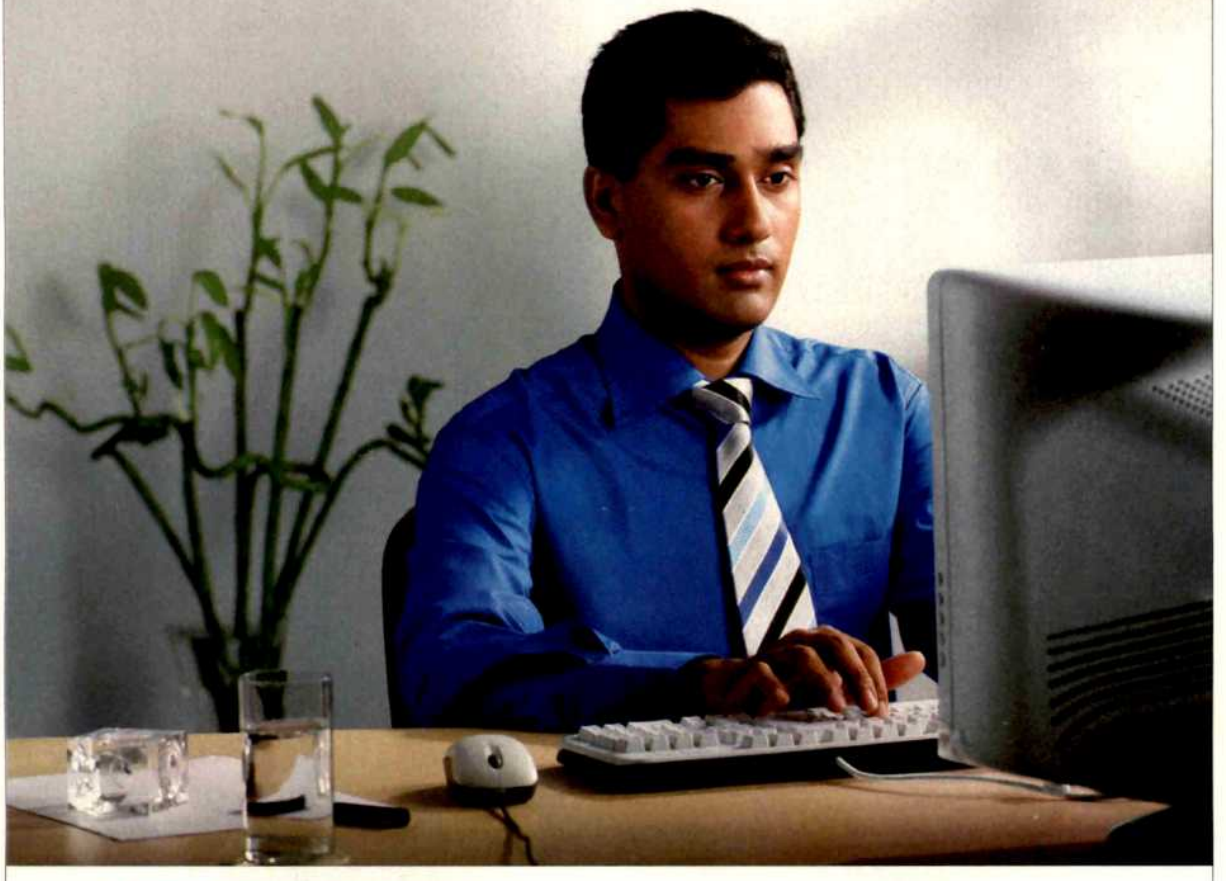
"Word about some of these very high-value buys is selectively spread by some developers to create new price points," says Akil Hirani, managing partner of legal firm S.B. Majmudar & Co, which handles several real estate projects.

Like The Imperial's imposing towers, realty in south Mumbai only seems to be moving skywards!

gurbir.singh@abp.in

Is your Gratuity Fund working as hard as your employees?

Introducing **LIC'S Gratuity Plus**



LIC'S GRATUITY PLUS

A Unit-Linked Gratuity Plan

From now, instead of letting your gratuity earn fixed yield you have the option of linking it to capital market performance with LIC's Gratuity Plus. Just so that at the end of the day you stand to gain.

• Attractive Returns • Flexibility of funding - both past and future liability • Built-in insurance cover for employees with auto cover
• Choice of four funds • Facility of switching between funds • No hidden costs • No bid-offer spread • Low fund management charges

For further details contact on toll free no. 1800224077 (during office hours only)
or SMS GROUP to 56677 or E-mail: co_pgs@licindia.com

LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

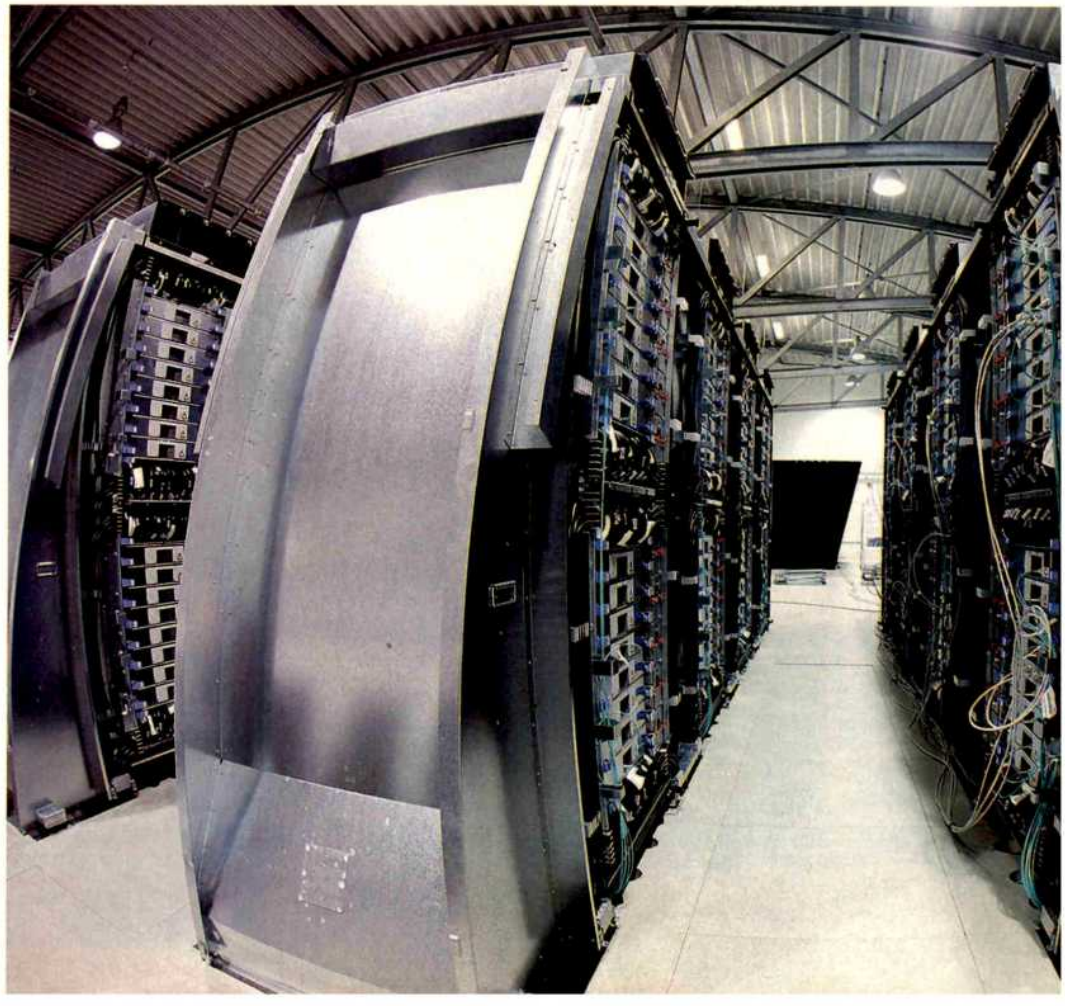
www.licindia.in

Insurance is the subject matter of solicitation.

LIC/PGS-GPLUS/07-08

When The Elephant Jumped

by K. Yatish Rajawat



TAKING A TURN: The IT giant was initially slow to imitate peers such as CapGemini and Accenture in making low-cost countries essential to its strategy

IBM's **giant** strides have been **invisible** but could affect the **fortunes** of the Indian IT leaders

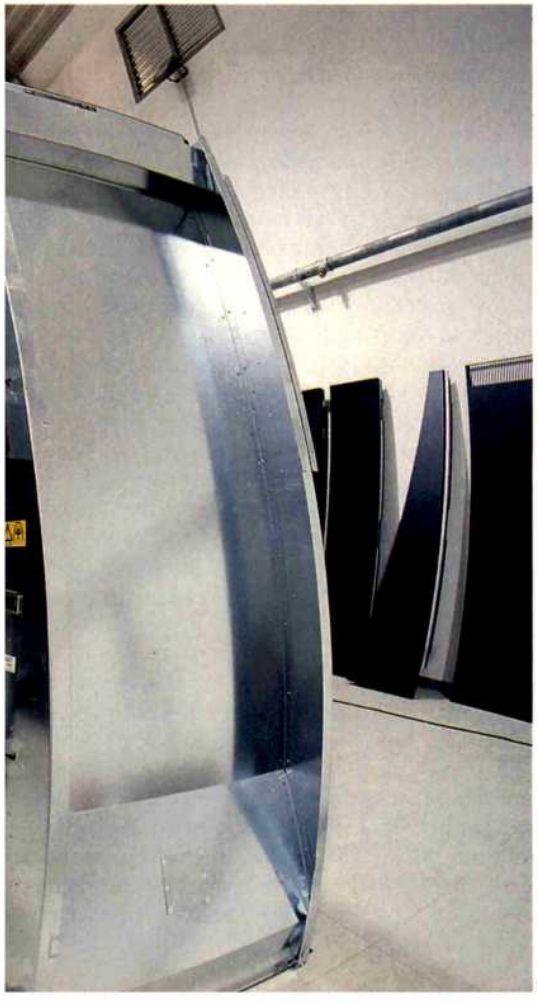
EXECUTIVE SUMMARY

- A silent revolution is on at IBM. While it is going to low-cost countries, it is also developing these markets
- Even though it has started moving, the biggest challenge to IBM remains IBM itself because, like all big companies, it has legacy inertia

IS IT POSSIBLE TO MISS A BLUE ELEphant charging at you? The Indian software services industry seems to have failed to see how the Big Blue has moved in on the industry's territory and become the largest services firm in India. So when did the elephant learn to run? For the past three years, IBM has been going through a silent revolution, one designed to alter its very nature and character. And when a company that size changes its business model, it changes the dynamics of the entire industry.

So, what's IBM doing? It's changing its address for one. Though still headquartered in Armonk, New York, the company's centre of gravity is really moving out of the US. Here, more than 73,000 employees see a famous three-letter lined logo on their paychecks every month. IBM's Indian employees are more colourful and carefree in their dressing styles; they have eschewed white shirts and blue suits that still define the IBM man in Armonk. But these engineers are delivering services to global clients and, importantly, also helping numerous Indian firms develop their next-gen IT strategies.

This alone is not new. Many MNC firms are using India as a low-cost base to provide services. Accenture is one. But the sheer scale of IBM, still one of the world's largest companies in revenues, is unparalleled. Last year, IBM's total global revenues were $98.8 billion (Rs 3.95 lakh crore). The behemoth's revenues from its global technology services (GTS) and global business services arms — both of which source much of their talent from India — were $54.4 billion (Rs 2.18 lakh crore). That's more than the total revenues of the entire Indian IT services industry — $47.8 billion.



PHOTOGRAPHS COURTECY: IBM

Change managment

IBM before the restructuring	IBM after the restructuring	Impact of the restructuring
■ Top heavy, individual countries were run as fiefdoms	■ Manpower and hierarchy in high-cost economies reduced, six regions formed	■ Productivity gains of 10 to 15 per cent in delivery and support functions
■ Every country had its own delivery and support functions	■ Support functions were centralised and delivered out of low-cost centres	■ Helped in saving $1 billion in support costs, around $2 billion in delivery costs
■ Procurement spread across countries and managed out of the US	■ Procurement shifted to China; 100,000 employees in low-cost countries	■ Improvement in EPS, enhanced competitiveness against offshore players
■ Small presence in low-cost but high-growth countries	■ Market share increased in high growth countries; top player in Bric countries	■ Supply chain gains were huge, target in 2006 was $3 billion-$5 billion
■ Though the company was international, it was not globally integrated	■ Operations, delivery, supply chains, and even sales are now spread globally	■ Savings were used to invest in high growth countries, making IBM a dominant player

IBM Moves of the leviathan

2004	2005	2006	2007
Sells PC division to Lenovo for $650 mn in cash and $600 mn in stock. Acquires several software product companies during the year, including Maersk Data and Dmdata in the business transformation services area. Total employees: 329,000. Revenues: $96.5 bn. Bags a multi-billion outsourcing contract from US telecom major Sprint.	Revenues dip by 5 per cent from 2004 to $91.14 bn. Begins restructuring to target growth in high-growth countries and shift base from high-cost to low-cost countries. Replaces the European management with two integrated teams focused on clusters of countries, breaking fiefdoms. Buys more than 14 companies during the year. Opens its first centre in China.	Revenues touch $91.4 bn, up 4 per cent, excluding the divested personal computer business. Holds international investors conference in Bangalore, to convince analysts about its integration and growth of global operations. Invests $5 bn in acquiring more than 13 companies in the software arena. India Research Labs develops automated technology to teach English.	Workforce in low-cost, high-growth countries reaches 100,000 employees. Continues its acquisition spree by buying nine companies, the most notable being Cognos, in the business intelligence space. Revenues touch $98.8 bn, up 8 per cent from 2006. Bottom line starts improving because low-cost operations became significant.

Like an aircraft carrier that takes several nautical miles to turn, the IT giant has been slow to imitate peers such as CapGemini and Accenture in making low-cost countries essential to its strategy. IBM took time, may be due to its size. Talking about large companies in general and not IBM in particular, noted management guru Ram Charan says,"It is not as if big companies do not know what to do, but it takes time for them to do it because of legacy inertia."

While the expansion into low-cost was logical, where IBM differs from its peers is that it has also developed the local market. "One of the things that differentiate us from our competitors is that we've been invested in India for India," says Nipun Mehrotra, director of GTS for IBM India and South Asia.

The move has paid off. Despite the concerns local IT companies often voice about how India Inc. is too price-sensitive, IBM's Indian revenues have touched $750 million (Rs 3,000 crore), making it the largest IT company in India; next year, it expects $1 billion (Rs 4,000 crore). In comparison, TCS, India's largest software services company, will get only about 10 per cent of its total $5.5 billion revenues for 2008, or $500 million, from India.

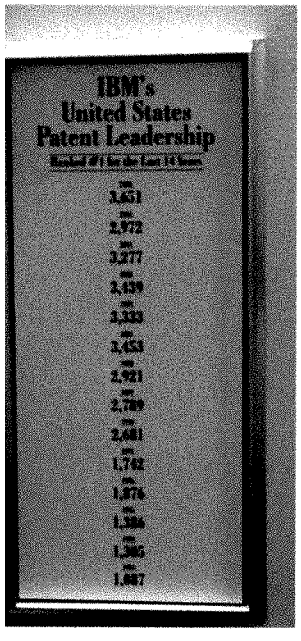
The strength of Indian offshore services companies lay in building an efficient delivery organisation and netting customers in the US and Europe, but they ignored the domestic market. The margins were low, particularly when compared with the currency arbitrage. But now, the dollar and even the Euro have been slipping against the rupee, eroding margins.

IBM, however, looked at Bric (Brazil, Russia, India and China) countries as both a market and a low-cost delivery option. It has a near-monopoly in fast-growing sectors in India such as telecom, where the three largest companies — Bharti Airtel, Vodafone and Idea — have one common vendor for their IT requirements: IBM. "We went after the verticals that we wanted to capture. Because we had created asset-based solutions for telecom, we could bag more customers quickly," says Shanker Annaswamy, country head, IBM India.

IBM's India employee base has grown 15-fold in the past five years — from 4,900 employees in 2002 to 73,000 in December 2007. Most were hired for global delivery operations. It has 14,000 employees in Brazil, 10,000 in China, and 2,000 in Russia. Infosys, the second largest software services company in India, has 72,000 employees and revenues of $3 billion (Rs 12,000 crore). TCS has more than 108,000 employees and is targeting revenues of $5.5 billion (Rs 16,000 crore). IBM's workforce of 100,000 in low-cost countries is more than that of Infosys and comparable with TCS.

India is IBM's largest base as the country has the biggest population of software graduates. Brazil, Russia and China were also chosen as their domestic markets are growing fast. "The IBM model is admirable, not only because they have been able to create a global delivery model but the way they have addressed the local market opportunity," says Peter Altabef, CEO of Perot Systems, a $2.6 billion (Rs 10,400 crore) Texas-based software service company, with delivery in India.

While the shift in delivery and staff strength from high-cost economies to low-cost ones — which now comprises nearly a third of its employee base, is astonishing in itself — it still does not reflect the scale of IBM's reinvention in the last couple of years. The last time such a rapid and significant shift was witnessed was in the early 1990s, when the legendary Lou Gerstner Jr. turned IBM around from being a rheumatic



WRITTEN ON THE WALL: **IBM has shown remarkable leadership in innovation, year after year**

hardware titan into a software services giant.

The Beginning Of The Bend

Though it's difficult to pin down a precise timeline, the first indication of imminent restructuring became evident in early 2005, when IBM was enduring a slowdown in almost all its businesses. Interestingly, a low-key May 2005 press release said, "IBM plans to implement a series of restructuring actions designed to improve the company's efficiencies, strengthen its client-facing operations and capture opportunities in high-growth markets. The actions will accelerate progress towards more globally integrated operations, while addressing profitability in slower-growth regions, primarily in Europe."

Sam Palmisano, CEO of IBM, was more specific at the 2005 annual investors' conference, "We have made a strategic choice to globally integrate the company. This may sound surprising, given that IBM has been an international company since its founding. There are two aspects to this. First, we are extending our reach to local markets around the world, particularly in high-growth economies, such as China, India, Brazil and Russia. Second, we are fueling our investments in these high-growth markets by reallocating resources from slower-growing, maturing markets. Over the past two years, we have increased our investment in these high-growth, developing markets by 40 per cent, and expanded our work force by 30 per cent. We are investing in these markets for local growth," he said. The key policy was the shift from mature markets.

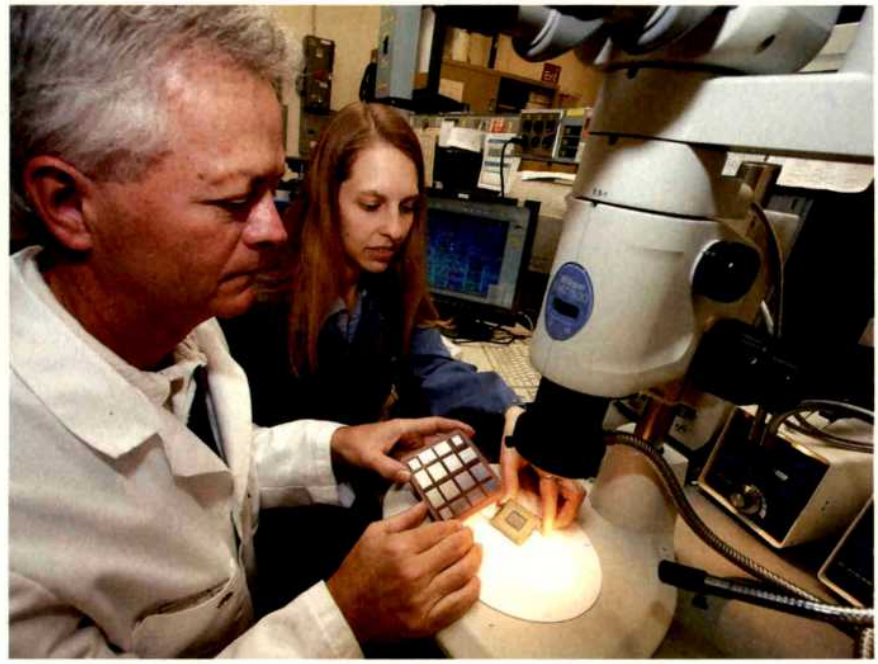
In July 2005, John Joyce, head of IBM's global services, was replaced with a three-member team tasked with the restructuring. Ginni Rometty, Mike Daniels and Bob Moffat reported directly to Palmisano. Moffat was earlier involved in the restructuring and sale of IBM's PC business to Lenovo and oversaw the renewal of IBM's supply chain. Rometty, who was already heading the consulting business, was asked to report to Palmisano for better integration with services. Daniels was asked to take over GTS, which includes managed business services. Daniels drove the acquisitive growth by taking over Daksh, a BPO company in India.

A globally integrated enterprise may sound like a buzzword, but for IBM, it meant driving earnings growth by pushing productivity through a globally integrated supply chain, delivery and support functions, according to Mark Loughridge, senior vice-president and chief financial officer of IBM. It benchmarked its costs beyond the obvious competition in the US, "We started looking at Indian software services companies, captive operations of firms in India, and other MNCs in India," says Moffat. The cost structure for delivery, support and sales was taken into consideration. It became obvious that IBM would have to improve its cost structure by expanding its operations in low-cost countries. "We realised that we needed to expand our presence, and improve our process efficiencies," says Moffat. IBM targeted and achieved gains in process and productivity of its operations of between $1 billion (Rs 4,000 crore) and $2 billion (Rs 8,000 crore) in 2006.

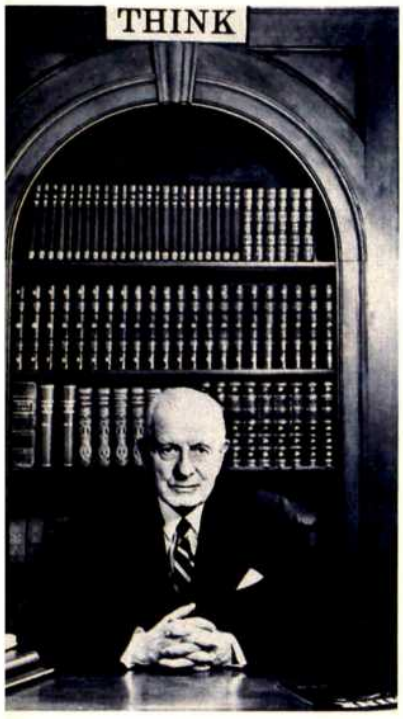
Heavyweight Champion

"The objective of the restructuring was to align the cost structure of IBM globally, make the company a globally integrated enterprise, and drive growth from new markets," says Rometty. "Therefore, the restructuring was in stages, and each was marked by consolidation and improvement. The first phase was an operational transformation phase. The second phase was a growth stage, called 3D, but some of the process of continuous improvement triggered by the restructuring continues."

Part of the restructuring, such as breaking down the global structure, was to align all the business within IBM and reduce costs of its support functions by creating centres of excel-



GLOBAL EDGE: IBM is leveraging its global workforce to compete with younger and more agile rivals



LEGACY LIVES ON: IBM founder Thomas J. Watson Sr.'s slogan 'Think' became its brand ThinkPad, now used by Lenovo

lence. By 2006, IBM had more than 1,000 accountants handling finance and accounting work spread across Malaysia, Slovenia, Hungary and Argentina — and this workforce has grown rapidly since then. Moffat says IBM saved $1 billion (Rs 4,000 crore) from consolidating and globalising its support functions in 2006. Procurement shifted from the US to China.

Global operations were clubbed under five regions — Asia-Pacific, Japan, NE Europe, SW Europe and America. Earlier, IBM had sales, support and delivery operations in each country. Now, with operations in BRIC countries, sales, support and delivery functions could happen from where costs were low and skill were available. This helped trim the unwieldy European operations.

IBM started 'lowering the gravity' so that more employees were facing the customer. Lowering the gravity meant that the top-heavy hierarchical structure of its subsidiaries in high-cost economies was broken down. High-cost manpower was reduced and employees at HQ were retrenched or realigned to customer-centric support functions. This was neither easy nor popular. Unions and alliances of retrenched and current IBM employees in the US and Europe opposed the move with strikes, demonstration and blogs. But the elephant was running now. It was building IT infrastructure such as data centres, security services and networks in Bric countries. GTS contributes to the bulk of its services revenues and is also the reason why IBM wins large multi-year outsourcing contracts.

In this nearly imperceptible period of transition, global media wrote off IBM's restructuring even before it started. *BusinessWeek* summed up in April 2005, "So far, the program has mainly lowered Big Blue's stock price and employee morale." Such reaction, however, is very unlikely today. According to Citi Global markets analyst report after IBM Q2 results in 2007, IBM is still a buy, because, in spite of the weakness in the hardware market, it has a strong services business. Most senior IBM employees were clear that the market was becoming price-sensitive, and Indian players had the upper hand. "I think, many aspects of our services industry have become mature businesses today," says Mike Daniels, senior vice-president of GTS. "The infrastructure outsourcing market is on the more mature side of the services side. In a mature industry, you have to have the lowest possible cost, and the highest quality."

IBM dominates the infrastructure outsourcing business: its GTS revenues were $36 billion (Rs 1.44 lakh crore) in 2007, higher than EDS' total revenues of $22.1 billion (Rs 88,400 crore). EDS is IBM's biggest rival in this area.

Thinking Bigger And Better

"Once the six regions were created, the alignment within IBM was much stronger," explains Rajesh Nambiar, who joined IBM in 2007 to head its India GDS operations, after spending 18 years at TCS. "IBM moved away from individual profit and loss centres for each country, and its ability to reach out to IBM China or IBM India was much greater. It was difficult and complex earlier, due to multiple and independent legal entities." IBM has always been an international company with a presence in many countries, it was not one company but a complex being made up of several companies.

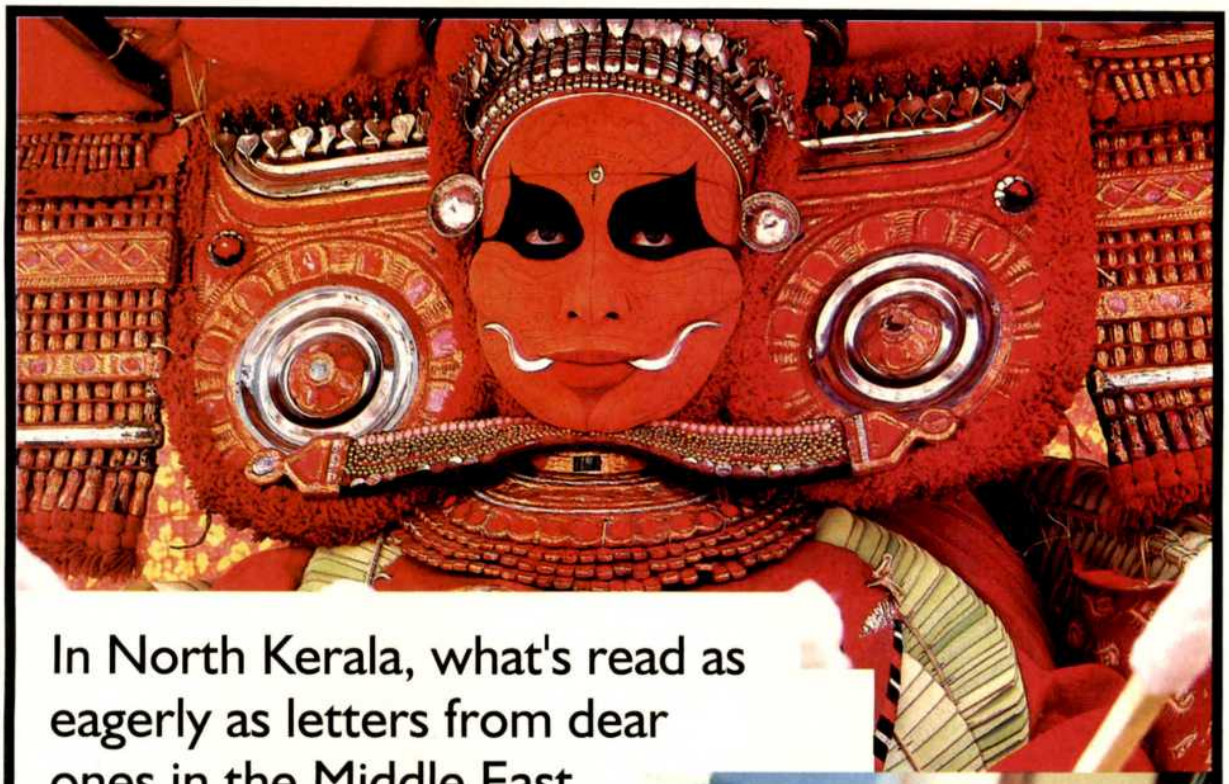
In a 'flat world', this conundrum was destroying IBM's competitive edge. IBM ramped up in India on a war scale, especially in 2005-06, when the firm realised that it did not have the human resource professionals it needed to recruit on such a huge scale. "We flew in hundreds of HR professionals from various IBM offices across the world to build a recruitment engine in India. They handled tens of thousands of applications every day and conducted hundreds of interviews across the country," Moffat says.

Postcards From Elsewhere

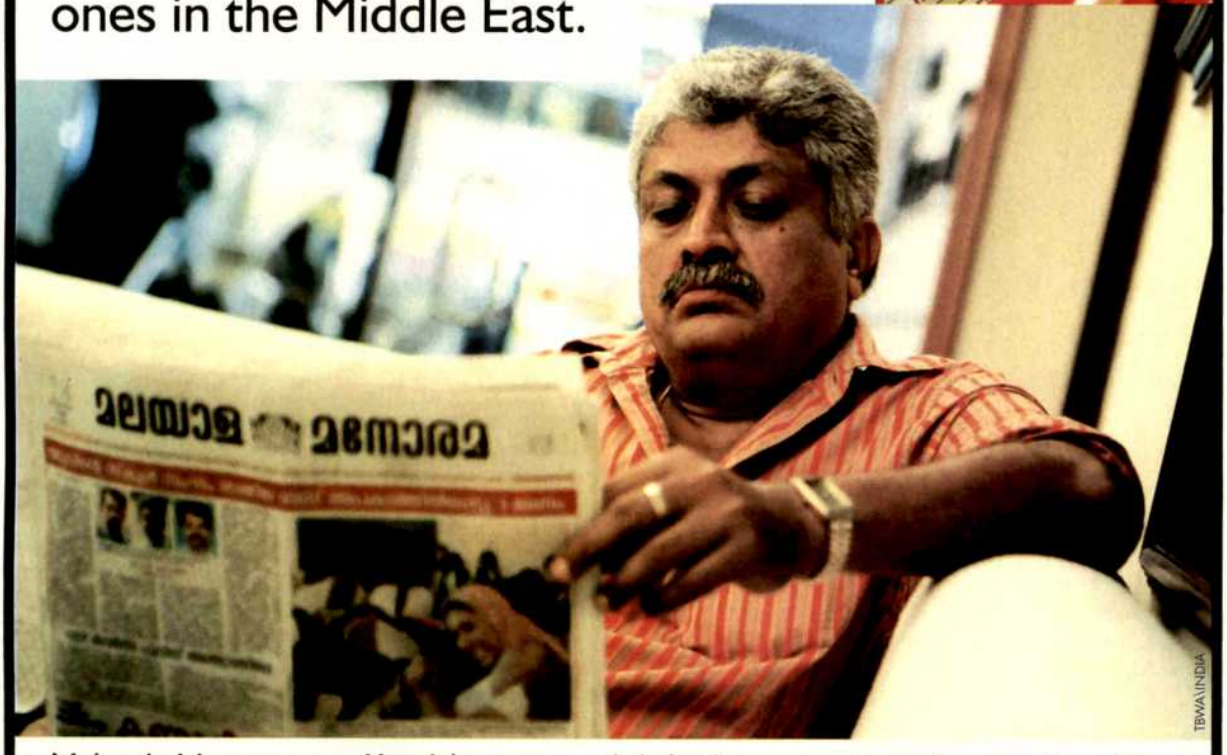
The way IBM looked at its global operations was remarkably different from that of an Indian or even multinational company (MNC). Most MNCs followed the low-cost emerging model for delivery operations. "IBM's global delivery also supports the domestic market or local market. For example, when we acquired Daksh, it was focused on US customers, but now it's working for the domestic customer," says Annaswamy. As global delivery supports the local market, IBM is able to show expertise and scale that eludes Indian companies.

China, Brazil , Russia, Philippines, Vietnam, Argentina, Egypt and Romania are some of the centres of excellence identified by IBM as hubs for the global delivery of services, support and sales. Some of these countries have witnessed a more than 50 per cent growth in employee base for IBM over the past couple of years. "Our delivery of application services out of India has grown by more than 40 per cent over the last few years," Ginni says.

IBM's operations in Brazil are run out of the city of Hortolandia, from a building which used to make mainframes. It now houses IT profes-



In North Kerala, what's read as eagerly as letters from dear ones in the Middle East.



TBWA\INDIA

Malayala Manorama is Kerala's most read daily. Across regions. Across diversities.

North Kerala is home to the most number of non-resident Keralites in the Middle East. And here, as in the other regions of Kerala, Malayala Manorama is the most read daily. The No. 1, across regions and diversities.

Editions	IRS 2007 R2		Lead of MM
	MM	No. 2	
North Kerala editions	2496	2467	29

North Kerala editions - Kozhikode, Malappuram & Kannur

All figures in '000s.

Source: IRS 2007 R2

Malayala Manorama

Nobody delivers Kerala better

sionals in hundreds of cubicles, working for both domestic and global markets, in a model so successful that plans are on to expand to other Latin American countries. Revenues from the Brazilian market are estimated at around $2 billion (Rs 8,000 crore). The global delivery team employs 14,000 people. Rogerio Oliveiria, who led these operations, was appointed head of IBM Latin America in January 2008.

IBM's operations in China have all its India components, plus procurement. To cut manufacturing and operations costs, the company relocated its procurement function to Shenzhen from the US a few years ago. IBM sees itself as a globally integrated enterprise in China. Speaking at a forum late last year, DC Chien, head of IBM China, stressed that the tide of globalisation would drive the tide of economic growth not only for companies but even countries.

Kirill Korniliev, head of IBM Russia, has been quoted as saying, "In 2006, IBM's business in Russia grew by over 20 per cent, and in (Q4 2006), IBM's growth in Russia exceeded 38 per cent — faster than in China, India or Brazil." Current figures of growth are not available for each country as IBM refuses to breakdown its sales and revenues by country.

IBM Versus IBM

While IBM has been successful in tapping and building local business in high growth economies, its competition is now moving in the same direction. Veteran IBMers say that the biggest challenge to IBM is IBM itself. The company is big and the smaller players are swifter. "We respect IBM as a competitor, but just because they have created a large presence in India does not mean that they are more competitive than us. Our margins are much better than them. IBM's selling, general and administration (SG&A) costs are still higher than ours, because the bulk of their employee base is still in the US," says the CEO of one of the biggest software services company in India, who did not wish to be quoted. IBM's SG&A expenses are more than 22 per cent of its sales, compared with 10 to 12 per cent for Indian counterparts.

IBM's margins are not comparable with Indian companies' services margins, which improved from 8 per cent to 9.7 per cent in 2006. But the margins have been improving at a faster pace in 2007. For instance, in the third quarter of 2007, while GTS revenues were up 13 per cent, profit rose by 26 per cent. Similarly, GBS revenues were up 16 per cent but the profit rose much higher by 29 per cent, showing a reduction and productivity in the cost base.

"Indian companies have higher margins and a lower cost structure and they are diversifying their revenue base rapidly," says Kris Gopalkrishnan, CEO of Infosys. "A few years ago, Europe contributed negligibly, but now it has become more than 26 per cent of our total revenues. There is a convergence of business model happening with global MNCs building delivery centres in India. But the gap is still there between Indian and MNC players, and will continue to be there."

"A couple of years ago, IBM and Accenture were not a big part of the strategic planning for large Indian vendors," says the ex-strategy head of one of the largest IT companies in India. "But, now, they are the biggest challenge and competition." Some of the mid-sized companies earlier thought that IBM and Accenture would not be interested in smaller contracts, and would leverage their Indian operations only for large projects. But even that is changing. "We come across Accenture regularly, they are everywhere. Sometime we win because of our domain expertise and because the large players are not so nimble," says Ganesh Natrajan, managing director of Zensar, a mid-sized IT firm based in Pune.

The new IBM is a different entity. The world's largest software services company is leveraging its global workforce to compete head-on with younger and more agile competitors. Indeed, when the elephant ploughs forward, it would be wise to get out of the way.

yatish.rajawat@abp.in

IBM in Bric countries

- First in INDIA in 1951
- New joint venture in 1992
- $750 mn revenue in 2007
- 73,000 employees
- Largest domestic IT company in India, bigger than TCS, Wipro, Infotech

- First in CHINA in 1938
- Wholly-owned subsidiary in 1992
- $1.5 bn revenue in 2005
- 10,000 employees in 2007
- Partnerships with 50+ universities

- First in RUSSIA in 1974
- Wholly-owned subsidiary in 1991
- $250 mn revenue in 2005
- 2,000 employees
- Competence centres for Linux, oil & gas, telecom

- First in BRAZIL in 1917
- Branch office opens in Sao Paulo in 1931
- $1.5 bn revenue in 2005
- 14,000 employees
- Partnerships with 50 plus universities

IBM Revenue without PCs

The only other sheets commonly found in Central Kerala households are that of rubber.

Malayala Manorama is Kerala's most read daily. Across regions. Across diversities.

Central Kerala is one of the biggest rubber producing centres in the whole of India. And here, as in the other regions of Kerala, Malayala Manorama is the most read daily. The No. 1, across regions and diversities.

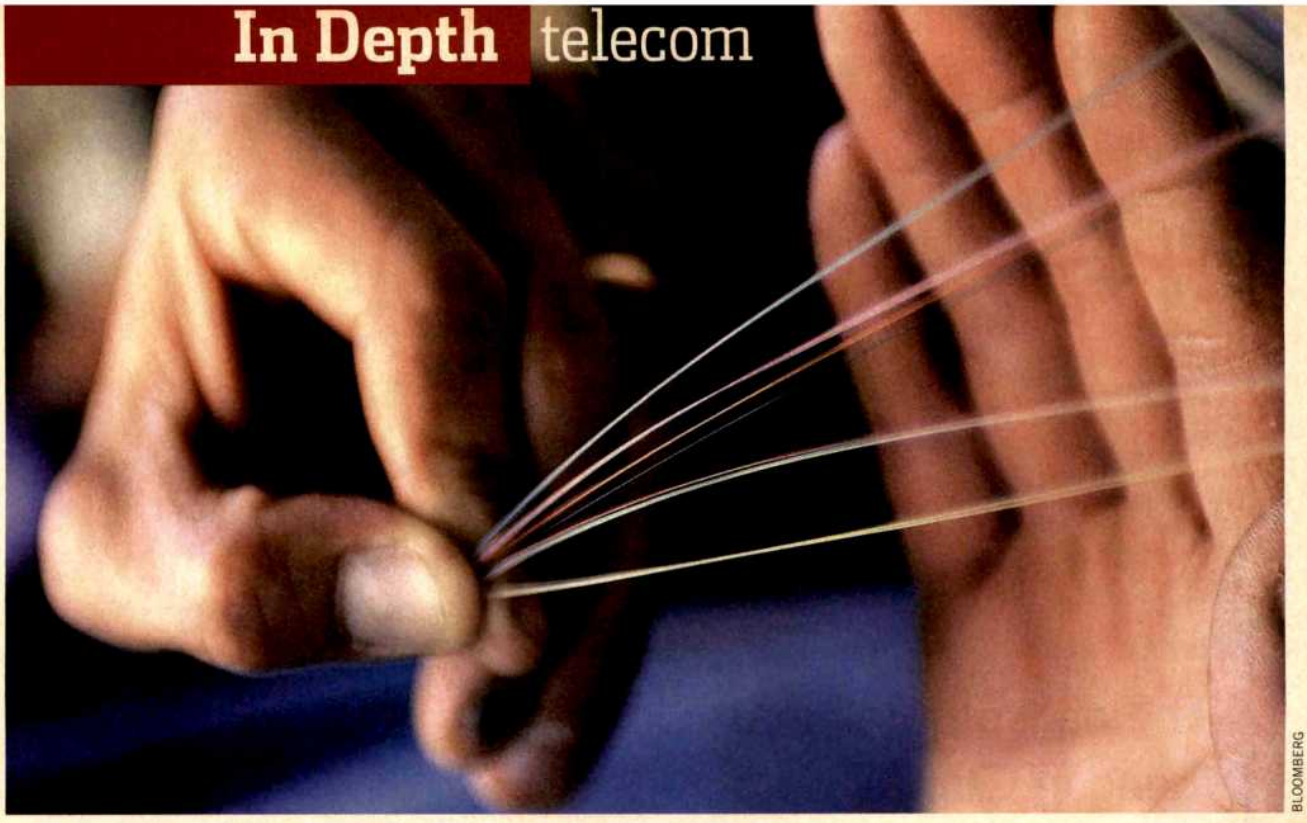
Editions	IRS 2007 R2		Lead of MM
	MM	No. 2	
Central Kerala editions	4473	2924	1549

Central Kerala editions - Kochi, Thrissur, Palakkad & Kottayam All figures in '000s.

Source: IRS 2007 R2

Malayala Manorama

Nobody delivers Kerala better



BLOOMBERG

Broaden The Band

by Pradip Baijal

Right policy can turn broadband into a vehicle of growth

EVER SINCE THE INTRODUCTION OF PRIVATE parties IN the telecom network, the sector has shown growth, investment and lowering of tariffs. But the journey has not been smooth. There were many periods when, like today, for 3G spectrum (mainly used for mobile broadband delivery) everyone felt that the problems were insurmountable. Yet, each time the government and the regulator intervened, leading to higher growth than earlier. Let's recall the earlier interventions to discover a viable intervention today.

Even though private players were added to the telecom network in 1995 by the government, they were not able to enter the network due to the roadblocks created by the incumbent government operator. Court interventions led to the setting up of the Telecom Regulatory Authority of India (Trai) in 1997. The first authority did an unbelievable job of laying down interconnection rules, and they were working against the incumbent, who was then the government, asking for usurious interconnection charges. The second authority prescribed 'calling party pays' and very low mobile/fixed termination charges, a consumer-friendly regime few countries had been able to prescribe at that time. Yet, the tariffs were very high, thanks to the initial auctions, and consequently growth was limited. To set things right, government abolished the entry fee, replacing it with a revenue share in 2000. Finally, drastic reduction of access deficit charge in 2003 and its ultimate abolition in 2008, a competitive tariff and unified access regime, permitting life-time schemes and subsidising the mobile tower with USO fund prescribed by the third regulator/government led to unbelievable extension of the network to the poor.

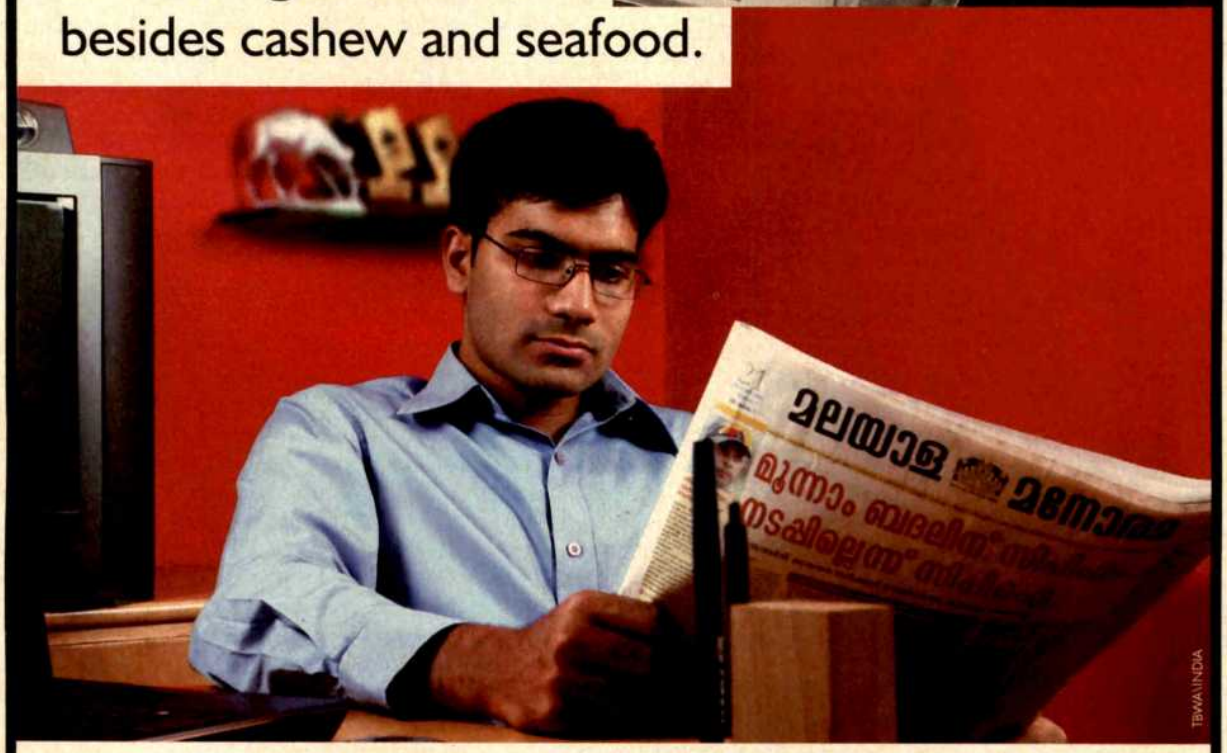
With voice telephony reaching almost everyone in the metros and growth filtering down, we now have to worry about broadband growth. Despite very low broadband tariffs facilitated by the regulator, incumbent and progressive telecom players, there is hardly any growth in this sector due to severe supply constraints. We must sort them out.

We want to mop up huge monies through these auctions to finance rural education, health, education, agriculture extension schemes, etc. But everyone knows that cheap and easy availability of broadband in rural areas can do all this much better than government-sponsored schemes.

We speak of price discovery through these auctions, but price discovery for whom? The millions who want and can only afford cheap

CONNECT THEM: Broadband in rural India is a must for inclusive growth

What provides South Keralites something to chew on besides cashew and seafood.



TBWA\INDIA

Malayala Manorama is Kerala's most read daily. Across regions. Across diversities.

South Kerala produces some of the world's most prized cashew and seafood. And here, as in the other regions of Kerala, Malayala Manorama is the most read daily. The No. 1, across regions and diversities.

Editions	IRS 2007 R2		Lead of MM
	MM	No. 2	
South Kerala editions	1694	1275	419

South Kerala editions - Trivandrum & Kollam

All figures in '000s.

Source: IRS 2007 R2

Malayala Manorama

Nobody delivers Kerala better

broadband, or for operators, who will only pass on the huge entry fee.

As 2G voice networks have abundantly shown, an increase or decrease of tariffs in India can only exclude or include millions in the network. Do we want an India with some elite in metros enjoying the fruits of a broadband connection and consequent rise in incomes or do we want rural areas also to share such an opportunity?

Everyone uses water and air. Do we charge an entry fee for using such abundantly available resources? If we are convinced that a cheap broadband will ensure universal use, should we charge for these 'free air waves'? And if we have a sensible policy regime, these air waves can be made abundantly available, thus, reducing their price, even in an auction, perhaps a necessity due to far too many players.

Broadband can be delivered by many means/spectrum ranges. We must simultaneously activate all means. 3G is a technology for mobiles and not spectrum range. It is far more efficient than 2G mobile technology. So, even for voice, the present players who do not get such technology/spectrum would be at a severe disadvantage. Hence, an auction will lead inevitably to a very high entry fee. This can be remedied if telecom players are offered other means to deliver broadband and voice and given an opportunity to make their networks more spectrally efficient.

We know that 3G equipment can be installed on 2G spectrum. It is being done even today as there is no specific bar, but operators are not sure. Government should make a policy declaration immediately to this effect. This would reduce the pressure on popularly defined ranges of 3G spectrum.

Technology has moved fast, keeping the governments and regulators gasping for breath while determining new policy and regulation. Everyone knows that New Generation Networks require much lesser spectrum. Government should accept Trai's repeated recommendations to implement such networks. This would severely reduce the huge demand for spectrum.

Mobile Broadband can be delivered more efficiently, particularly in rural areas, through 450 MHz spectrum. This can be freed in substantial quantities easily. The government should ensure this. There are many other non-traditional 3G spectrum ranges/services that can also be simultaneously freed to increase spectrum availability. As one example, a much cheaper VSAT would also efficiently deliver broadband in many rural areas.

Technology has now led to stable WiMAX standards. These services, referred to as 4G, are very efficient means of delivering wireless broadband and even voice. These spectrum ranges and services should also be released.

However, the state or the regulator should not get involved in defining superior/inferior technologies/mode of deliveries. We tried to do this in late 1980s or early 1990s, and delayed the introduction of wireless telephony and mobiles. China is currently doing this and delaying introduction of 3G services, first to develop their own 3G technology and second to favour wireless broadband delivery (WiMAX). We should, instead, follow the true spirit of NTP 1999 and ensure technology agnostic regulation, thus allowing the market to discover the most efficient technology. Unified Licensing/convergence law/next generation networks allow this.

Opening up WiMAX spectrum and providing for compulsory back-up with the fibre already laid, at rates prescribed by the regulator, would ensure a huge growth, particularly for rural broadband.

Unbundling of the last mile puts a lot of pressure on fixed-line operators, since according to the scheme proposed by Trai, they lose this last mile for mandatory sharing if they do not use it themselves in a prescribed time period. The scheme deserves government approval.

All actions recommended in this article should be implemented simultaneously or else the new 3G barons would try and block new initiatives and force litigation.

Only a 100 per cent broadband coverage in the country, which is now possible in three years due to mobile towers/operators already reaching villages, will lead to all-inclusive growth.

A RECIPE FOR GROWTH

- **Despite very low broadband tariffs, there is hardly any growth in this sector, due to severe supply constraints.**
- **Price discovery through auction is not the right mechanism to spread the broadband in the rural India.**
- **High entry fee is only passed on to the consumer, which hinders growth.**
- **An increase or decrease in tariffs in India can exclude or include millions in the network.**
- **If we are convinced that a cheap broadband will ensure universal use, we should not charge for these 'free air waves'**

The author is former chairman of Trai and presently a director of Noesis Strategic Consulting Services. The views are personal.
baijalp@gmail.com

How they read differs. What they read doesn't.

Malayala Manorama is the most read daily in all the three regions of Kerala.

The North, Central and South regions of Kerala may differ in their dialect, cuisine and culture, but the newspaper they prefer is the same. Malayala Manorama. Kerala's No. 1 daily, across regions and diversities.

Editions	IRS 2007 R2		Lead of MM
	MM	No. 2	
North Kerala editions	2496	2467	29
Central Kerala editions	4473	2924	1549
South Kerala editions	1694	1275	419

All figures in '000s.

North Kerala editions - Kozhikode, Malappuram & Kannur ‖ Central Kerala editions - Kochi, Thrissur, Palakkad & Kottayam ‖ South Kerala editions - Trivandrum & Kollam

Source: IRS 2007 R2

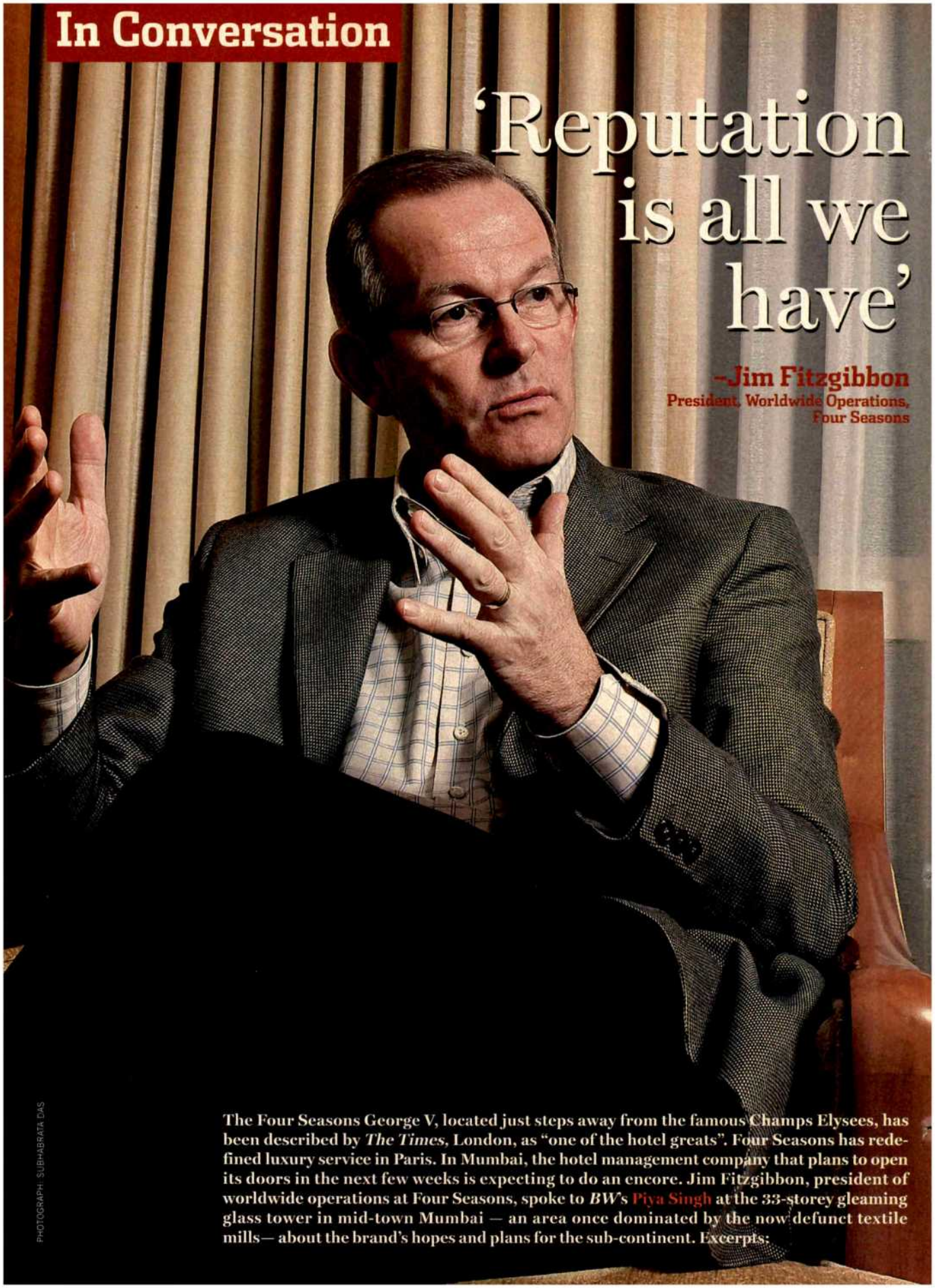
Malayala Manorama

Nobody delivers Kerala better

In Conversation

'Reputation is all we have'

–Jim Fitzgibbon
President, Worldwide Operations, Four Seasons



PHOTOGRAPH: SUBHABRATA DAS

The Four Seasons George V, located just steps away from the famous Champs Elysees, has been described by *The Times*, London, as "one of the hotel greats". Four Seasons has redefined luxury service in Paris. In Mumbai, the hotel management company that plans to open its doors in the next few weeks is expecting to do an encore. Jim Fitzgibbon, president of worldwide operations at Four Seasons, spoke to *BW*'s Piya Singh at the 33-storey gleaming glass tower in mid-town Mumbai — an area once dominated by the now defunct textile mills— about the brand's hopes and plans for the sub-continent. Excerpts:

Q: Four Seasons has tried to open luxury hotels in India before and those efforts have not worked out. How did you pull it off this time?

A: We've been looking to open in India for the past 10 years. While I'm not going to get into the good and bad of the other business deals that we have discussed in the past, this time we've got wonderful partners (the Jatias who also own the Hyatt Regency in Mumbai). We have a number of very talented Indian nationals who work for us round the world and they have come back. That gives you confidence, too, and then you're not so concerned about opening in a country where other people have struggled. We've been in Asia as a company for 17 years now. We've learnt how to manoeuvre and organise ourselves.

Q: Who do you perceive as your competition?

A: Every hotel has its own unique appeal. There are several established, successful companies operating in the country. On an international basis, with all humility, there really isn't an international competitor here as yet and that's not to belittle any other hotel company. So we think we're coming to India as the right sweet spot. There are a lot of traditional hotels here but Four Seasons is the right type of hotel at the right time in Mumbai.

Q: Still, what are your impressions of the Indian market so far?

A: From our perspective, it's about the supply-and-demand equation in the country, and it's no secret that India is a market that is very ripe for hotels. But the interesting thing that I find when I look at this market from my experiences 10 years ago is that you can actually provide wonderful service. And what people pay for has changed. Guests now say that service is important. It's not just about the price of sleeping in a particular room. It's also about the experience I get for that, how I can do my business more efficiently or how I can enjoy life in an easier way.

Q: So, you are impressed with the current service levels of Indian hotel chains?

A: I'm impressed with the ability levels. India was known for great service in a very servile sense. Indians got service because they were privileged. That's a bit different from service as a way of enjoying your time. I always remember years ago, when we opened the Four Seasons in Milan we were charging the equivalent of $1,000 at the time. And 10 years ago, it was a big amount of money. I was chatting to this couple at this new property who seemed quite conservative and prudent. I asked them how they felt about paying $1,000? And they said, "We feel great. We're going back there." And I think that if you can provide service like that then it's not a question of a thousand dollars, it is a question of having an experience.

Q: So, will Four Seasons differentiate itself from other players on the basis of service?

A: I have to say we will be different because of our employees. Frankly, that's all we have. Now look, it's a modern building. But, there are other buildings in town that are not that old either. But I think if I walk around, I see how the employee atmosphere is, how we went about screening people and hiring them, I can see they will make a difference.

Q: Where else do you plan to be in India?

A: Obviously, you have the big centres such as Delhi, Bangalore and Chennai. But, beyond that you've got a pretty significant resort market. We're actively pursuing something in Kerala, which we think we'll do. The same applies to Hyderabad. We've announced something in Gurgaon. There was a city where if you asked us 10 years ago, we would have refused to open. Now, we know what it is and we are very comfortable. Where would we be in five, six, seven years? We could have seven or eight hotels in this country very easily. We're bullish in that sense.

Q: The location that you've chosen has surprised many people. Why would an upper-end brand like Four Seasons choose to be in the middle of what was the old mill district? How long are you here for?

A: This is an area in transition and reflects the spirit of 'new' India. It's too much pressure to get downtown, it'll take too long. The airport, well... The affluent areas of town are relatively close by from here. Typically, we have very long management contracts. This one, for instance, is a 50-year contract. If you go back into our history, once we put our name on a building it doesn't come off except in very unique situations. So for us, we're putting our name on this building and we're putting our reputation here and frankly all we have as a management company is our reputation.

piya.singh@abp.in

Fast Facts

Established
1960

CEO
Isadore Sharp

Headquarters
Toronto, Canada

Employees
35,000

Business
Hospitality

Key products
75 hotels in 31 countries, and more than 31 properties under development

Trouble Brewing

by Gauri Kamath

DISCREETLY STANDING in a bylane of Khetwadi, one of Mumbai's oldest localities, Shree Dhootapapeshwar (SDP) is steeped in history just like its location. For well over a century, it has seen four generations of its founding family pass on the mantle from father to son or brother. Ranjit Puranik, CEO, is the fifth.

Yet Puranik's demeanour is not suggestive of one resting secure on the rock-solid stability and Methuselah-like longevity of his inheritance. It is of one waging a battle. Puranik's SDP and a clutch of like-minded Ayurveda companies and vaidyas (Ayurveda physicians) are ranged against a motley group of small, fast-growing companies and large corporates with financial heft. This group wants to take traditional Ayurvedic 'recipies' and fuse them with modern science in a bid to speed up their efficacy and/or make them more attractive with consumers who these companies say are demanding things that ancient Indians never asked of Ayurveda. For instance, Gurgaon's Ranbaxy Laboratories sells a modernised version of the Ayurvedic health tonic Chyawanprash that uses artificial sweeteners instead of jaggery as demanded by the traditional recipe. The company says it does this to address diabetics and weight consious customers.

Ayurveda is caught between the purist and the experimenter

This is but one example. The larger goal, whether of Ranbaxy, or others, such as Bangalore's Himalaya Drugs, is to make hybrids — let's call them herbals — that use traditional medicine merely as a starting point. "We are not into classical Ayurveda per se but herbal products based on Ayurveda," says Ramesh Adige, executive director of Ranbaxy Laboratories. "We want to develop standardised, scientifically validated products to supplement our allopathic portfolio."

But this alarms traditionalists, such as Puranik, who alleges that they are attempting to cash in on the popular interest in natural medicine by disguising modern chemistry as Ayurveda. "A different, and ill-studied chemistry is being badgered into the definition of Ayurveda in order to benefit from its historic goodwill but with scant regard to long-term safety," says Puranik. "Ayurveda is under threat."

The debate has been simmering for some time. But a seemingly routine government move has blown the lid off it.

The Genesis

It all began two years ago when Ayush began an effort to include 15 extracts of select Ayurvedic raw herbs in the Ayurvediac pharmacopia. To put it simply, an extract is what is obtained when a raw herb is dissolved in a solvent to get a concentrate that should contain the key ingredients responsible for its action. Per se, adding new drugs and their quality control specs to a pharmacopoeia is desirable. It helps to set safety and quality standards — like limits on heavy metals, pesticide residues, and aflatoxins — in the medicine. "The industry already uses these herbal extracts (to make finished products)," says Amit Agarwal, R&D director of Bangalore's Rs 65-crore Natural Remedies and a member of the Association of Manufacturers of Ayurvedic Medicines (AMAM) who is pushing for their inclusion. "But currently there are no national quality control guidelines for assessing them."

The Drugs & Cosmetics Act of 1940 specifies that an Ayurvedic drug is a medicine "intended for internal or external use for or in the diagnosis, treatment, mitigation, or prevention of disease or disorder in human beings or animals and manufactured exclusively in accordance with the formulae described in the authoritative books of Ayurveda specified in the Act". It lists 54 texts, including the widely-known *Charak Samhita*. Industry dubs such products 'classical Ayurveda'.

But some of these standardised extracts that are up for adoption in the pharmacopoeia use

different methods. Their point of departure from the texts is the solvent. While Ayurveda prescribes only water as a solvent or aqueous extracts, some of these standardised extracts are 'hydroalcoholic' or got from a combination of water and alcohol. For purists such as Vaidya Vilas Nanal, an ayurveda practitioner attached to the Sassoon General Hospital in Pune, this sets off alarm bells. A change in solvent can radically alter the drug's effects, he says, citing a 30-year-old study where using alcohol instead of water caused an asparagus extract to aggravate acidity rather than cure it.

Puranik has produced a laundry list of things that could go wrong in the long term (see 'One Man's Meat'). This list is currently with the Ayurveda Pharmacopoeia Committee (APC) that has been meeting inconclusively on the subject for some months now. Puranik is the industry representative on the APC. "Classical Ayurveda formulations are considered safe for long-term use," Puranik wrote to it in October 2007. "Allowing hydroalcoholic extracts will take away this safety profile."

In a line, alcohol enables producers to extract more of a particular constituent of a herb, which they believe gives the herb its potency or is a surrogate for it. Like ursolic acid with anti-inflamatory properties in the Indian herb tulsi, a grandmother's remedy. Using alcohol as a dominant solvent could yield a tusli extract that is far richer in ursolic acid than otherwise. "Every cell has compounds that may or may not dissolve in water. But what does not dissolve in water, may dissolve in alcohol," says S.P.S. Khanuja, director of Central Institute of Medicinal and Aromatic Plants (CIMAP) in Lucknow, a government laboratory that is researching such active compounds in ancient herbs. "Today, you can recover a bioactive compound faster by using the right solvent." Khanuja emphasises that these solvents, such as chloroform or acetone, are toxic and the end-product should be cleansed of them. "In Ayurveda, there was no system for doing this, so they were considered noxious," he says.

Old and New

Why this approach? Part of the answer to that can be found in the advent of allopathy or modern medicine. Allopathic medicine is based on one or more 'active ingredients' in a product which are responsible for a drug's desirable effects on a disease and its side-effects. For instance, acetylsalycilic acid is the active ingredient in the headache remedy, aspirin. Allopathy is 'evidence-based', which means all such actives are identified and studied in laboratory tests, and the final drug is proved to be safe and effective in well-documented human trials on thousands of people over several years. It is well-know, for instance, that aspirin has anti-pain, and anti-inflammatory properties, but also causes acidity in some consumers.

Contrast this with Ayurveda. Scientists are unsure about exactly why or how it works. For one, there is very little documentation of safety and efficacy beyond the texts. Two, Ayurveda uses multiple ingredients in products making standardisation down to chemical constituents or their surrogates (called active markers) difficult. Like Chyawanprash, which is known to contain over 40 different ingredients. But given its sheer history of use — thousands of years — the government has created a pathway for their approval that does not need this rigour.

Globally, herbals is a $60-plus billion business used in food, drugs and cosmetics spawned by the desire to give consumers the best of both worlds. It uses herbs cited in traditional medicine as a starting point. Once herbs are identified, companies use scientific methods to standardise the active markers or chemical constituents in these herbs in order to guarantee a certain potency that could even be beyond what is naturally found in plants and is reproducible: for instance, gingerol, a chemical found in ginger or curcuminoids in turmeric. This approach links the amount of a marker or a chemical present to the herb's efficacy. "Customers decide the percentage depending on the end-use that they want and we supply it," says Agarwal of Natural Remedy, who exports to the food, drugs and cosmetics sectors. Two, this approach may translate into lower doses if a single dose has concentrated constituents. This provides a 'convenience' plank, just like al-

One Man's Meat

Popular solvents that can cause side-effects if improperly used.

Solvent	Toxic effects
Methanol	Headaches, dizziness, blurred vision
Ethanol	Pancreatitis
Toluene	Headache, fatigue, nausea
Chloroform	Liver and kidney damage
Ethyl acetate	Liver and kidney damage
Benzene	Impairment of immune function, anaemia, leukemia

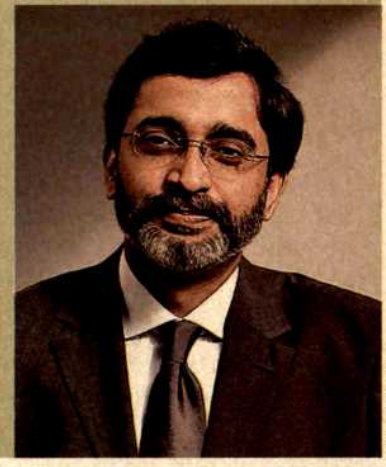
Source: Input for Ayurvedic Pharmacopoeia Meeting, November 2007 from Shree Dhootapapeshwar

IT'S IN THE ROOTS

Both want to tap the growing market for herbals that blend ayurveda with modern science. They are clashing over how. While the Himalaya Drug Company has forged ahead, citing its elaborate safety and efficacy testing to prove its herbal products work and are safe, Shree Dhootapapeshwar calls this departure from the classical texts a grey area and demands clear rules and regulations from the government on the extent of testing needed before it does so.

One peek at their roots, and it isn't so difficult to understand why. The Rs 45-crore SDP was created by Ayurveda physician Vaidya Krishnashastri Puranik in 1853 to ensure the quality of the ayurvedic medicines he was prescribing to his patients and continued to be run by vaidyas till the early 1960s. Himalaya was born in 1930 when young entrepreneur M. Manal blended tribal knowledge on herbs with scientific methods to come up with drugs that he hoped could earn ayurveda the same popularity as modern medicine. SDP has earned a loyal audience among practitioners of Ayurveda — vaidyas swear by its products — Himalaya has built a mega business by focusing on allopathic doctors who are looking for answers beyond allopathic medicine, and consumers who are chasing 'wellness' and not just treatments for disease.

TRIBHUWAN SHARMA



SANJAY SAKARIA

KNOW YOUR GREENS: Ranjit Puranik, CEO, Shri Dhootpapeshwar (left) and Ravi Prasad, CEO, Himalaya Drug Company.

lopathy. And three, unlike classical Ayurveda, active markers and constituents in herbs have been subjects of global study for years. They are easier to standardise into a uniform product that can be put into trials, while a traditional medicine needs several checks at every stage; the qualilty of herbs can differ from farm to farm, and from one season to another.

Uncharted Territory

But to get these extracts, companies often use solvents beyond water for advantages, including the ones cited by CIMAP's Khanuja. Alcohol also lends itself to economies of scale giving better yields from the same amount of raw material, and allowing for easier top-up and dilution. Companies say this kind of blend of the new and the old is the way forward. "Unless Ayurveda gets modernised it will not be accepted globally," says S.K. Mitra, head of R&D at Himalaya Drugs. Himalaya is in favour of hydroalcoholic extraction, and other newer methods.

For Puranik, this argument of the herbals industry is shaky and stands on just one leg — enhanced and uniform efficacy. But what about safety, he wants to know. When Ayurvedic herbs and procedures are being modified to this degree, there is no basis to believe that they will have the same safety profile as classical remedies, he says.

There appears to be a scientific basis for this argument. Every plant part will have thousands of molecules that work in tandem or have synergies to give the desired result of safety and efficacy. But hydro-alcoholic extracts would "represent a compound sans synergy between these active constitutents as intentioned by Ayurveda", writes Pramod Sharma, director of Kolkata's Shree Baidyanath Ayurved Bhawan and president of the Ayurvedic Drug Manufacturers' Association (ADMA) in a January 2008 letter to Ayush countering AMAM's position. This is also a reason to doubt whether it will have the same beneficial effects even, says T.S. Murali, R&D head at Kerala's Kottakal Arya Vaidya Sala. "There are major and minor molecules in Ayurveda. There is no support from modern science to decide whether the efficacy is exclusively due to an active molecule or because of the cumulative effect of all active and minor molecules," he says.

The Drugs & Cosmetics Act is silent on this emerging class of products which consumers are apparently already consuming. "A majority of ayurvedic companies are already using aqueous as well as hydroalcoholic extracts for their proprietary products, with in-house standardization, based on markers," says AMAM's Multani. Companies such as Himalaya Drugs and Natural Remedies who say they undertake extensive testing of all their products do so voluntarily and not because they are mandated by law. We test in great detail because our product has to be seen as product of science (by users)," says Ravi Prasad, CEO of Himalaya. "That is why it takes us 10 years to bring a product to the market." But for those who don't want to, "with a trial of 10 patients in a clinic, you can get an Ayurveda licence in weeks," claims Puranik. The licensor is a state authority and not the central department.

ADMA demands the creation of a new category called 'herbal medicine' with a clear pathway of approval that specifies safety and efficacy testing, if not as elaborate as for a new allopathic drug then at least more than which ayurveda products need. Nor is the other side

Panasonic
ideas for life

The Systems Professional

Get connected with PBX Total Communications Solution

The flexibility to support various terminals and inter-transfering

The platform for feature-rich applications

Integration of IP technology with traditional telecommunications offer endless possibilities for your business communication needs.

IP Softphone

Enjoy features like user-friendly display which makes handling calls and performing other tasks a breeze.

Mobile Phone Integration

Experience greater mobility and connectivity wherever you are.

Messaging Solutions

Comes with Panasonic Voice Processing Systems that allow you to send and retrieve messages 24 hours a day.

Report Server

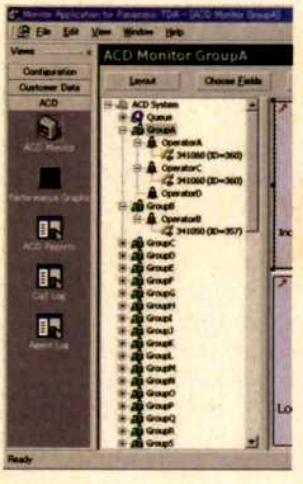
Deliver customer satisfaction with features like System Report that creates reports according to the user's need.

Phone Assistant

Applications such as software support helps you monitor and report all company telephony communications.

Wireless Connectivity

Receive calls even when you are away from your desk (within office premise).



Panasonic ideas for life

Panasonic Asia Pacific Pte Ltd.
India Branch Office

Delhi: 615, E-Block, International Trade Tower, Nehru Place, New Delhi - 110 019. E-mail: a.madan@npi.panasonic.co.in, Tel.: 011-41608081/2/3/4
Mumbai: 708/709, Palm Spring, 7th Floor, Above Croma, New Link Road, Malad (W), Mumbai - 400 064, E-mail: a.dhole@npi.panasonic.co.in, Tel.: 022-40331621/3/4
Website: www.panasonic.com.sg/pbx

PBXBW

principally opposed to this either. One, doing so might help these companies penetrate the export markets better. As traditional medicine grows increasingly popular a number of countries are moving to regulate it better.

"It is our science and we as a country should take the lead," says Prasad of Himalaya. "If we have separate guidelines, then we can use them globally and it becomes easier to benchmark." Two, testing elaborately the way a modern allopathic company does is expensive and will need deep pockets. But since herbals are based on traditional medicine with a history, they could conceivably take a more abbreviated approach. "We need to develop a yardstick that can measure the extent of deviation from Ayurveda — how far have you gone — and accordingly decide how much work needs to go into (safety and efficacy studies)," says Agarwal, who is putting together a sample regulation which he will present to the government "at a suitable time". In the meantime, though, these companies expect status quo.

"Studies can happen simultaneously but industry must be allowed the use of hydroalcoholic extracts," says an AMAM letter dated 23 July 2007. "Not allowing their use will bring the industry into problems." It also defends the extracts by stating that they "represent almost all the chemical components of a particular drug," and not just a few purified chemicals and that no complaints of side-effects have been received from the marketplace.

Department of Ayush Secretary Anita Das did not comment on the issue when contacted by *BW* on telephone.

But there is urgency. This latest discussion is just one instance of how the industry is evolving faster than the law can keep pace with it. Chyawanprash, like we mentioned earlier, is another. Science and environment magazine *Down To Earth* questioned this practice in a recent article which drew on the minutes of a government body meeting where members seemed split on whether this was right. Marketers defend their products citing a provision in the Act that allows some changes in the classical formulation provided the resulting product is branded, and not called by its classical or generic name.

But no one would deny that there is still the veneer of Ayurveda or other traditional medicines on all herbal or plant-products though it might not be overtly claimed by their manufacturers. Combine this with weak regulation and it could be a time bomb waiting to go off. Puranik points to an earlier global controversy surrounding heavy metals. The use of metals is permitted in Ayurveda if handled correctly but it was found to be over permissible limits in one foreign study causing governments like Canada and Singapore to ban some ayurvedic medicines.

No doubt, if India had guidelines then that addressed the rationale, presence and levels of heavy metals and how they should be tested (it does have some now), its government and industry could have addressed the issue from a position of strength. "The heavy metals controversy set me back by a decade," says Puranik, who says all exports suffered because of it. "I simply can't lose out again." Nor indeed should consumers.

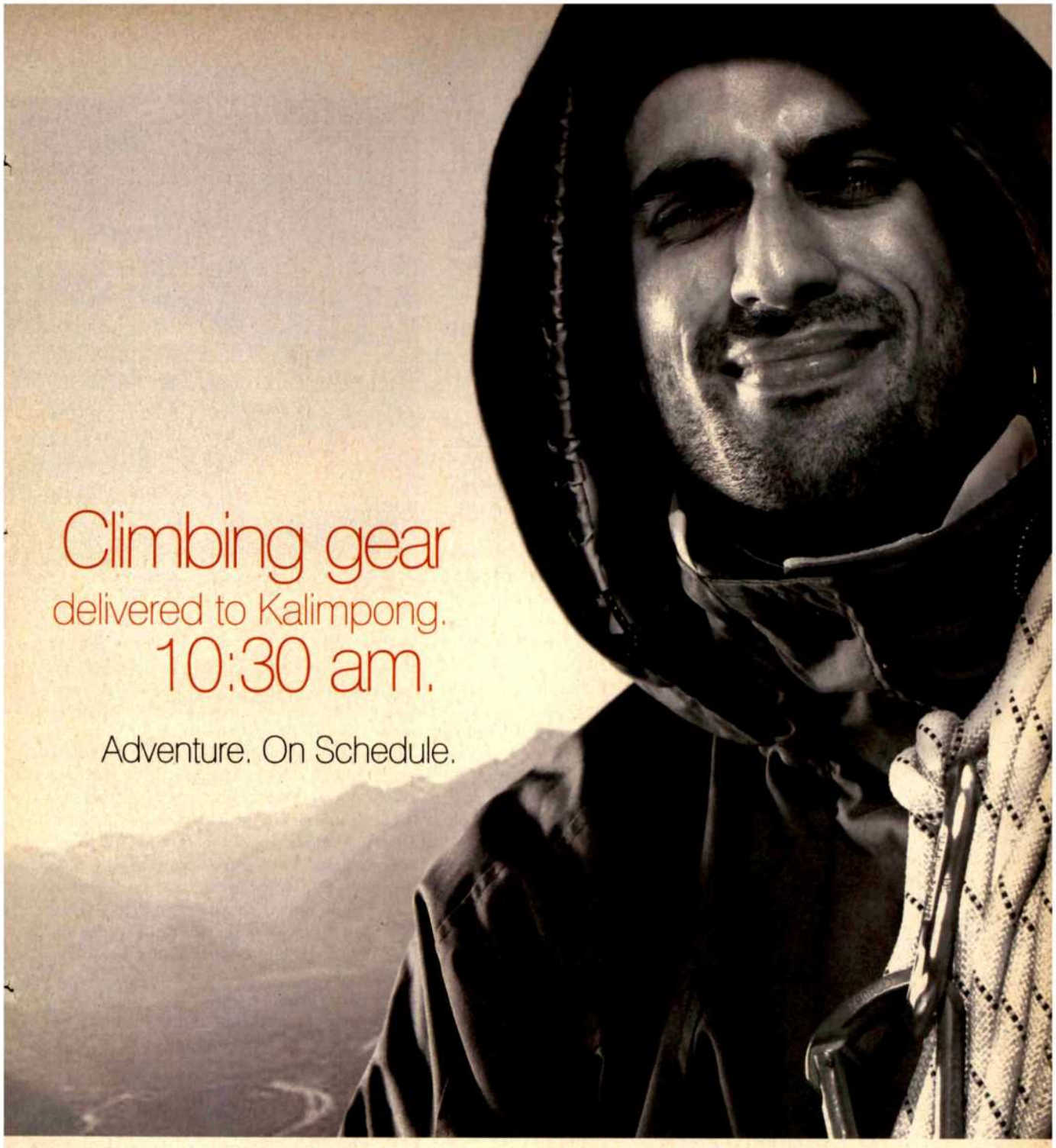
gauri.kamath@abp.in

DIFFERENT STROKES

COUNTRIES THAT HAVE NO HISTORY OF TRADITIONAL MEDICINE REGULATE herbals in different ways. The US does not consider them drugs but 'dietary supplements' that have to explicity state on their labels that they are not intended to treat any disease, nor been evaluated as a drug by the country's Food & Drug Administration. However, in a number of countries, such as Switzerland, Singapore and the United Arab Emirates, these are getting approved as safe and effective medicines, subject to safety and efficacy tests.

There are several opinions in the industry on why the US, the world's largest market for allopathy medicines, has not taken this approach. One, it does not currently have the expertise to approve such a product. Two, it is under pressure from the allopathy industry that does not want its dominance challenged. Three, it is under pressure from the manufacturers of products based on traditional medicine who are not equipped to provide the safety and efficacy trials needed by it but still want a foot in the door. The US is conscious of the growing popularity of such products and has recently asked companies to monitor and report adverse events or side-effects experienced by consumers, post-marketing.

More regulation could be on the anvil.



You're in the middle of nowhere. You prayed for an adventure. We, at First Flight delivered. On time.

800 branches. 1800 destinations, serving over 5200 PIN codes. 100 million shipments a year. We deliver everything from documents and parcels to gifts, cargo consignments, even perishables.

And on some days, we even deliver life's greatest moments.

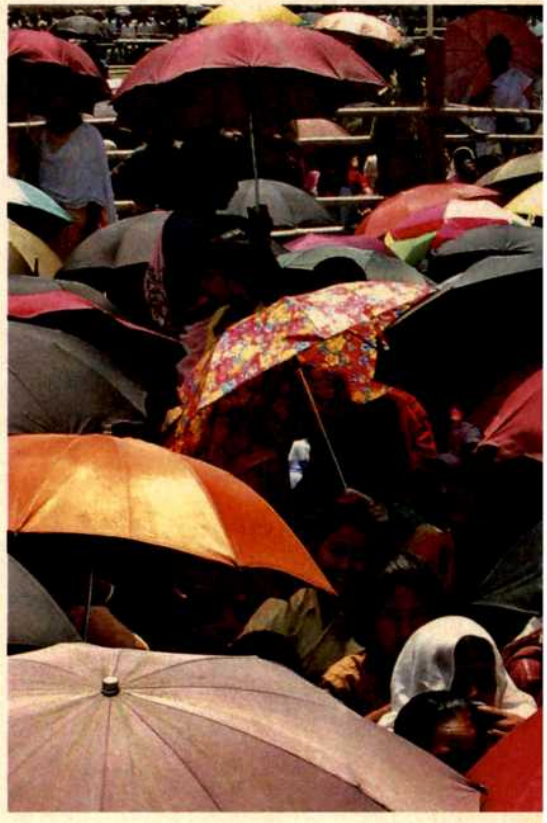
First Flight®
First Flight Couriers Ltd.

India. On Schedule.

METAPHOR/2008/FFCL/004

Decoding ULIPs

by Vishal Krishna



Know how well your policy is linked to the market

WHEN N. VENKANNA, 35, A FARMER IN KHAMMAM, A town in Central Andhra Pradesh, bought a unit-linked policy from Bajaj Allianz Life; he did not really know what the word 'unit-linked' meant. He was informed by his agent that his money would be invested in the share market and that his investment would quadruple in three years. "The agent asked me to contribute Rs 10,000 and I did this by borrowing money from a family member. The agent also promised me that I would walk off with Rs 30,000 after paying off the loan in the third year," he says. To keep Venkanna interested his agent visited him every month and showed him paper clippings about the stock market soaring high. But Venkanna did not understand how his investment was being managed and depended on the distributor for information; who, in turn, was only worried about making money from the surrendered policy. The life policy, which was meant for 20-years, became the distributor's ruse to get hold of the farmer's money.

The insurance sector is yet to face a bear run for a prolonged period. With 90 per cent of the policies being sold as unit-linked products, which come with a huge distribution charge, people like Venkanna will certainly not be on cloud nine when the markets tank. In the short run, when market exuberance carries everyone on the money train, fund managers are its primary drivers. But an insurance fund manager would disagree about any short-term intention behind ULIP management. "Funds are invested in stocks with a long-term perspective. Since the investor decides his risk appetite in a policy, we manage funds based on a conservative basis," says Sashi Krishnan, chief investment officer of Bajaj Allianz Life in Pune. He says that a fund manager would invest in stocks that give a compounded growth rate of 20-25 per cent return over a period of 15-20 years.

Since it is common knowledge that people do not understand the complexity of investing, the Insurance Regulatory Development Authority (IRDA) has recently asked all life insurers to sell a ULIP to a customer only if one understood the nature of the product. Importantly, a form must be signed by the customer, giving his assent to the product, before he becomes a policy holder. The responsibility then shifts to the insurer who needs to submit copies of all charges that apply to managing the premium amount paid by the policy holder. The circular also goes on to state that every individual must know how much of his or her money is being invested in the market after charges pertaining to administrative and fund management are knocked off every year.

Know Your Policy

Although investors do not have to worry, it is essential that they understand the yearly return on their policy and what to expect from the market. They can begin the process by looking at the charges that are built into the product and the amount that actually gets invested in the market. The premium amount that goes into investment in the first five years is paltry, partly due to high distribution costs, which is to be borne by the insured. These five years can see a knock off of 65 per cent on investment. From the fifth year onwards, one would have to pay, at the end of every year, administrative, fund management and mortality charges. This could be anything between 1.5-2 per cent of the individual's corpus. Therefore, the performance of the fund for the first five years is very conservative, leaving the investor with the remaining life of a

REUTERS

POLICY MATTER: Investors must understand the yearly return on their policy

policy, say, 15 years in the case of a 20-year policy, to give him returns on a 100 per cent investment basis. "The system here does not offer returns on an average basis," says Anuj Agarwal, chief investment officer of SBI Life in Mumbai. "We take the investment value at current price of the market and policy holders could lose out on their investment." In the average return system, which works in countries such as the UK, the policy-holder is given an assured sum based on the market average over a particular period. Recently, the BSE fell by 2000 points in a month; if this event occurred during the maturity of one's policy; the returns would not be in tune with expectations of the policy holder. But if this was averaged out with the performance of the market over the past six months to two years, then acceptable returns could be assured.

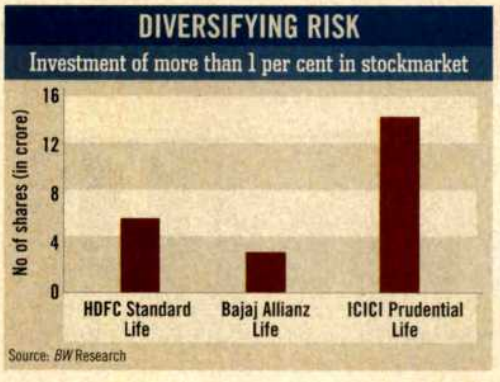
Calculating The NAV

Also, calculating the net asset value (NAV) of the investment and correlating it to your returns becomes very important. The NAV is the growth of your units, which your investment is broken into, on a daily basis. "Investors can calculate the internal rate of return of their investments based on the NAV," says Bryce Johns, chief investment officer of Kotak Life Insurance in Mumbai. "But you would still not know how your money was invested in the market, because this is the job of the fund manager." ULIPs, he says, are institution-centric and not based on the fund manager's ability to churn the fund in the short run. "A fund manager should not be into stock picking for the short term, which is temporary and usually a bet. However, asset allocation over the long run, based on the future functioning of the economy, is what matters for a reasonable NAV."

Rajagopalan Krishnamurthy, managing director of Watson and Wyatt Insurance Consulting (WWIC) in Mumbai, agrees. "Life insurance companies do not need to beat the stockmarket in the short run. They have to give you a definite return based on conservative numbers in 20 years." He says that if fund managers focused on short-term NAV growth, it would only mean that they were using funds for risky short-term investments. To prevent such short-term trading, the regulator has kept derivatives trading, such as interest rate swaps, and short selling away. This ensures that the policy-holder does not lose out his investment to high-risk market exposures. Only when renewal premiums beat new business incomes would it make possible to trade in complex financial instruments. WWIC says that companies must communicate their ULIP investment philosophy to the policy-holder, just like the disclosure requirements in the UK, where the investment strategy and bonus strategy are completely conveyed to the policy-holders on a monthly basis.

The Need For Benchmarking

At present, a policy-holder cannot understand the growth of his investments vis-à-vis other funds in the market, since there is no benchmark to measure one fund against the other. When in place, such a benchmark would allow the policy-holder to hold the insurance company accountable for the investments made. However, fund managers say that it is difficult to benchmark a ULIP against any standard investment benchmark. "A benchmark is not necessary because ULIPs are customised prod-



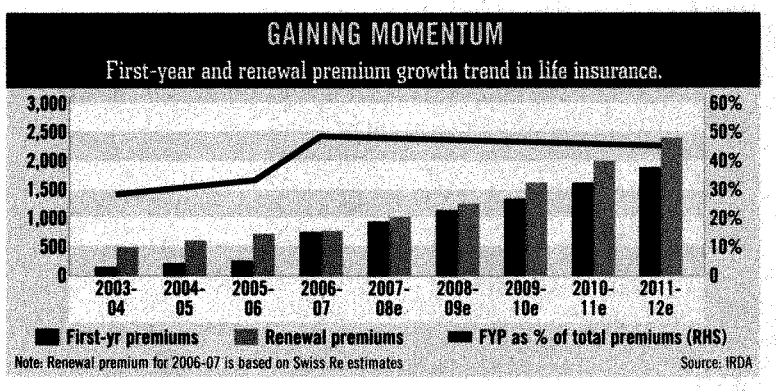
ucts," says Puneet Nanda, CIO of ICICI Prudential Life in Mumbai. "It stops innovation in companies if we have benchmarking to measure against each fund." It becomes impossible to benchmark a ULIP, unless it is a 100 per cent equity or debt fund. Usually a policy-holder could ask his investment in a ULIP to be, for example, 55 per cent in equity and 45 per cent in debt. These components can be mixed according to his risk-taking ability. An investor, therefore, would have to look at quarterly statements, where the fund would be compared with benchmarks. However, this may not be a true representation of the NAV, as the ULIP could be a mix of debt, liquid and equity investments.

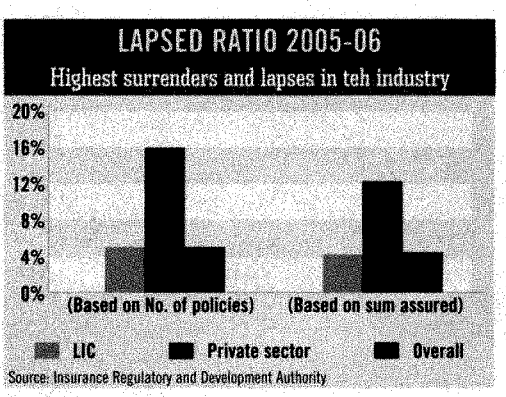
Investments Of Insurance Funds

Research conducted by Indsec Securities and Finance shows that this financial year saw insurance companies invest around Rs 36,000 crore ($9 billion) in the stockmarket against around Rs 60,000 crore invested by foreign institutional investors (FIIs). The report goes on to say that the gap is expected to narrow in the last quarter (January to March 2008), with insurance companies estimated to pump in an additional Rs 24,000 crore. A look at the numbers shows that while most companies invest less than 1 per cent in various stocks across sectors.

Life Insurance Corporation of India has heavily bought into sectors such as auto ancillaries, textiles and infrastructure. Its largest investment is 40 per cent in LIC-Housing Finance, and it has invested in 383 stocks at an average of 5.10 per cent investment per stock held. Research also shows that all private insurers have evenly spread their investments across the auto, infrastructure and engineering sectors. Most of these investments are less than 5 per cent.

"Also remember that the fund manager manages even traditional endowment products," says V. Srinivasan, CIO of Bharti Axa Life in Mumbai. "These investments would be made in corporate bonds and government securities."





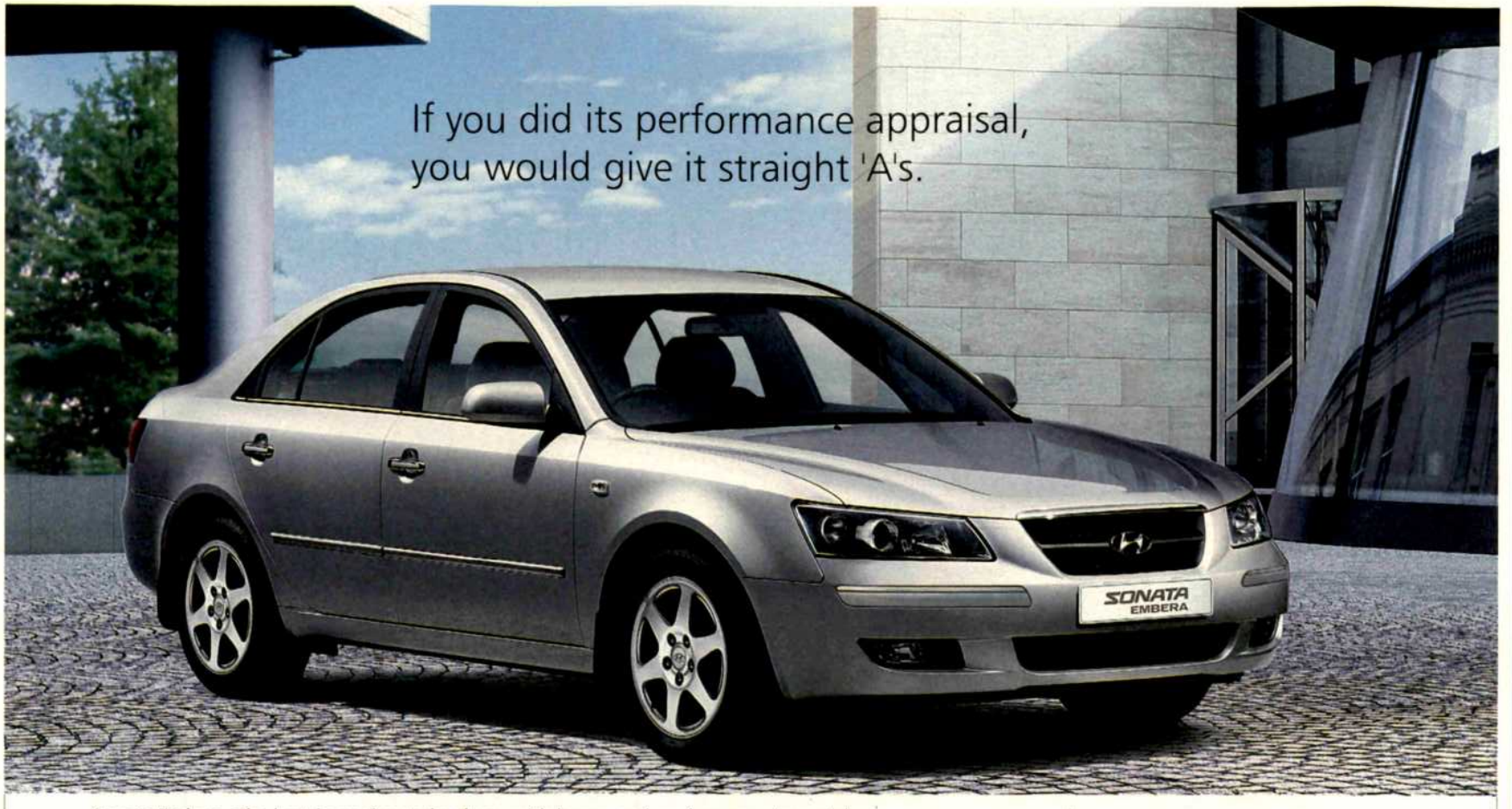
The fund manager tries to match the performance of each asset with liabilities and aims at reducing risk over a time frame. Only mortality risk is unavoidable. Liabilities include administrative and fund management charges.

The Future

However, insurance is a sector with intense sales competition. People could move from one insurance company to another based on market swings. A research report conducted by ICICI Securities says that all life insurance players will see their margins deteriorating steadily from the estimated 2006-07 level to a long-term level of 15 per cent. The downward pressure on margins will continue this year as competition heats up. However, the report goes on to say, "Indian insurers are in a much better position than some of their Asian peers when it comes to investing. The country has a relatively well developed capital market and insurers are given substantial leeway in determining their own investment strategies. For the past few years, Indian insurers have benefited from a high interest-rate environment and a buoyant equity market. Further investment liberalisation in mortgage-based securities, policy loans and equity derivatives should help improve yields. Liberalisation in equity derivatives would be timely for insurers to hedge against a possible downturn in the stockmarket.

Again, in these times of exuberance, distribution issues and a nascent private insurance sector leave a lot of questions unanswered. "What people don't understand is that they can invest even when the markets are down," says Vikram Kotak, CIO of Birla Sun Life in Mumbai. "It is all about hanging in there for the long term." But he agrees that the sales force in the insurance industry does not have the expertise to sell a ULIP. While firms ensure that one is insured, how assured can one be when he trusts his life's savings with others?

vishal.krishna@abp.in



Drive your way™

Sonata Embera. The best in engine technology, with luxury and performance to match.

It's built to pleasantly surprise even those who are used to the finest things in life. The elegant contours; the gentle purr of the powerful engine; the sinfully luxurious interiors – Sonata Embera transports you to a different world every time. Come, revisit the familiar feeling of elation and success – take a test drive today.

Available in Diesel and Petrol, with Automatic and Manual Transmissions.

SONATA EMBERA

UNDOUBTEDLY DISTINGUISHED

HYUNDAI www.hyundai.co.in

1-800-11-4645
ALWAYS ALL THE WAY
HYUNDAI
098-7356-4645

FULLY AUTOMATIC CLIMATE CONTROL • DUAL SRS AIRBAGS • 8-WAY POWER DRIVER SEAT • KEYLESS ENTRY WITH IMMOBILIZER • COMPLETE LEATHER UPHOLSTERY • ANTI-LOCK BRAKING SYSTEM

Features and specifications as shown may not be part of standard fitment and are subject to change without prior notice.

MANUFACTURING UNIT AND REGISTERED OFFICE: SRIPERUMBUDUR TALUK, TAMIL NADU-602105. PH: 91-44-47100000, 27156111 **MARKETING AND SALES HEAD OFFICE AND NORTH REGIONAL OFFICE:** NEW DELHI- 110044. PH: 91-11-41678800, 41599853-59 **REGIONAL OFFICES: SOUTH:** CHENNAI-600032. PH: 9940174287, 9940123251 **WEST:** MUMBAI-400069. PH: 91-22-40969000 **EAST:** KOLKATA-700091. PH: 91-33-40060045, 40060049

INNOCEAN-033/08

It's Time To Bond

by srikanth srinivas

IT SEEMS TO BE AN IDEA WHOSE TIME HAS NOT yet come. Which is a pity, because it is long overdue. In his Budget speech last Friday, Finance Minister P. Chidambaram talked about measures for developing the domestic corporate bond market. Developing this market has been discussed and debated since the beginning of this century, if not longer, and yet, little progress has been made.

Developing a corporate bond market has taken too long already. The process now needs a hard push

Former US Federal Reserve Chairman Alan Greenspan said that if there had been robust bond markets in the East Asian economies in the late 1990s, perhaps the Asian financial crisis may not have occurred. Though many East Asian countries were running fiscal surpluses and had high savings rates (in other words, they had plenty of cash lying around), the lack of domestic bond markets left them unable to mobilise their savings. For the most part, corporations could not issue debt in domestic currencies, so investors had very few or no opportunities to put their money into domestic bonds. Everyone was thus forced to go abroad to invest or raise money.

Consequence: there was a huge misallocation of capital. Domestic savings were invested abroad, while borrowers were forced to issue short-term, dollar-denominated debt. As these debts piled up, a so-called 'double mismatch' — where borrowers used short-term, dollar-denominated debt to finance longer-term investments dependent on domestic currency revenue streams — began to concern investors. Foreign lenders sought to cut their exposures, financing dried up, spreads skyrocketed, and local currencies collapsed. Huge capital inflows is now our problem too, and the lessons from the Asian crisis can be instructive.

But first, a quick review of the issues that impede the creation of a corporate bond market in India. Part of the problem lies with policymakers; while several elements of the infrastructure needed for a bond market have been put in place for the government securities market, we have yet to leverage that to develop the corporate bond market.

One big impediment to development of the corporate bond market is stamp duty, which is a state subject. The current wide differential rates of stamp duty across states make both bond issuance and trading more costly than it ought to be. Rationalising it across states can be a problem in a year when elections are taking place in nine states. And states would loath to give up control over a lucrative source of revenues. The finance minister has one way: if two states pass a resolution in their state legislatures allowing stamp duty on bonds set by the central government, other states could follow suit, and the Indian Stamp Act 1899 could be amended appropriately.

Another constraint is the overly dominant share of the banking system as a supplier of credit to corporations. In theory, banks could play a supporting role for securities markets. Banks could be large investors in securities themselves, provide underwriting and market-making services, be issuers and guarantors, and arrange securitisations. Remember, however, that large involvement of banks in the securities business requires appropriate regulation — firewalls in short — for example, banks cannot allow a firm to issue bonds to repay loans, and then sell the same bonds to an asset management subsidiary at higher-than-market prices.

A liquid securities market could benefit banks' balance sheets too. If a bank is seeking to grow, it could use asset sales to raise capital to finance more credit growth. That is a good alternative to raising fresh deposits and maintaining statutory cash reserves on them, all of which add to the costs of financial intermediation.

But the structure and incentives of the financial services industry are capable of limiting the development and growth of a domestic corporate bond market. For instance, if banks see such a market as a threat, they can strategically set loan and deposit rates that may influence the pricing of securities, making it expensive for companies to borrow in securities markets. European banks — and Japanese ones too — with very large stakes in the firms they finance have been known to dissuade their clients from issuing debt securities.

Last, but not least, a critical element that needs to be managed in developing a corporate bond market is liquidity risk. Trading in corporate bonds will need market-makers, just as in equity markets; they will need to be well-capitalised or have access to large pools of capital, in a market where transactions are essentially big-ticket, and of large volumes.

The time to debate and discuss is over. It is time to act now.

srikanth.srinivas@abp.in

SELECTED
BUSINESS
Superbrand
INDIA 2008
INDUSTRY VALIDATED

SUZLON
POWERING A GREENER TOMORROW

why

CAN'T PRESERVING THE EARTH BE PROFITABLE AS WELL?

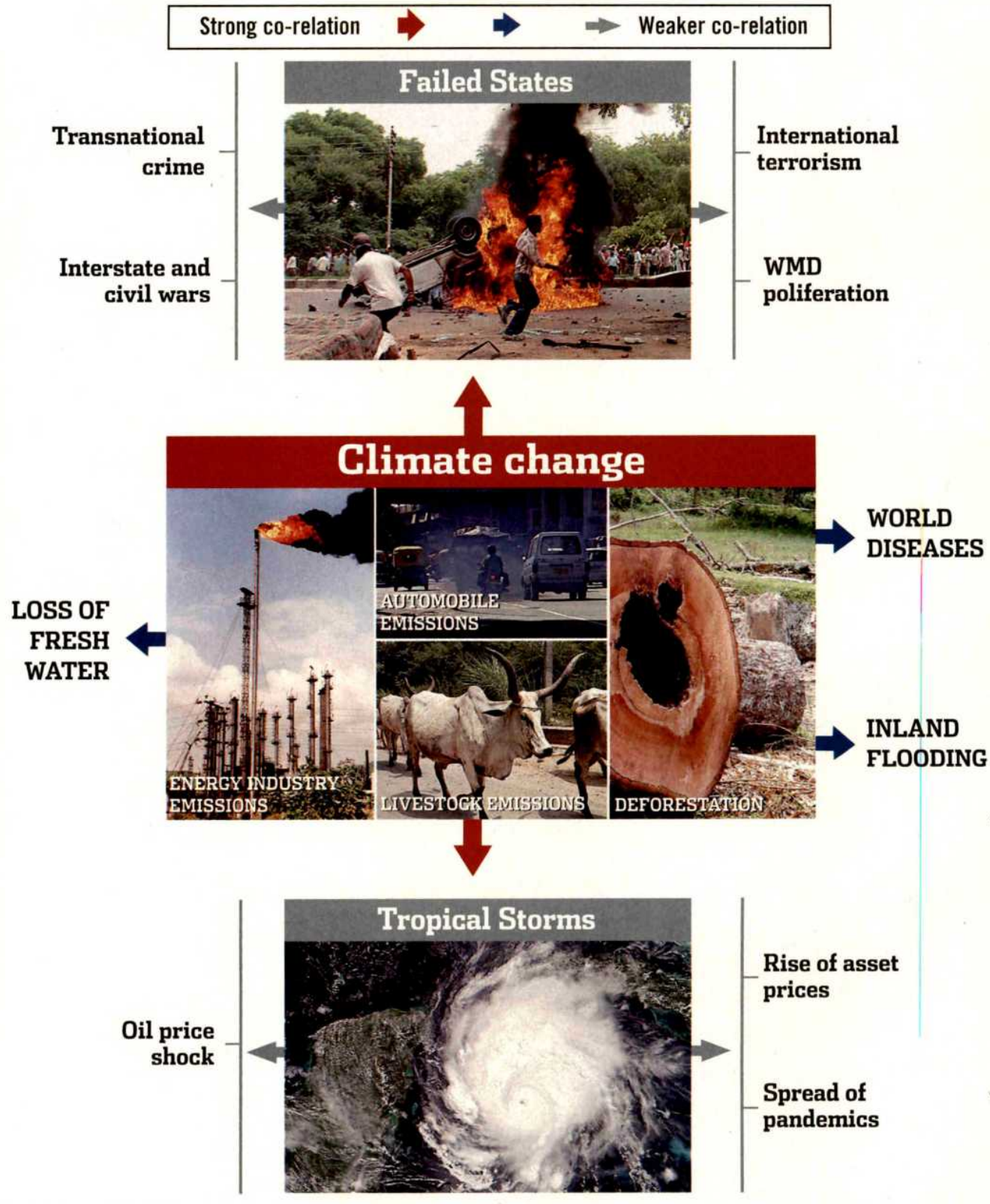
It can be, when you partner with a company that has the expertise and experience needed to deliver profitable wind energy solutions worldwide. At Suzlon, we serve your energy needs by providing dependable wind energy solutions backed by a fully integrated and secure supply chain, which delivers customised solutions to ensure project performance globally. We also pride ourselves in meeting customers' needs by using the power of the wind to increase return on investment, freeze power costs and improve profitability.Come to us, so that we can channel the power of the wind in a way that benefits you and the world.

THEREFORE
SUZLON

www.suzlon.com

World's 5th largest and fastest growing integrated wind turbine manufacturer | 350kW to 2.1MW capacity wind turbines | Workforce of 12,000 people in USA, Australia, Belgium, Brazil

All Tangled up



Source: Adapted from 'Risk Correlation Matrix', *Global Risks 2007 Report*, World Economic Forum

Climate Shock

PIERRE MARIO FITTER

India must act before climate change becomes a national security threat

IMAGINE THAT RISING TEMPERATURES AND erratic rainfall have destroyed 20 per cent of India's food stock. Cities and towns along India's 7,000-km-long coast are flooded by the sea. Malaria, cholera and dengue have become more virulent and widespread than ever before. Riots rage on across India because people lack access to basic resources, like food and water. And Bangladesh, China and Pakistan all threaten a war over access to shared rivers.

Admittedly, this is India's worst-case scenario with respect to climate change. But it is precisely for this reason that last April, Margaret Beckett, then Britain's foreign secretary, initiated a first-ever debate in the United Nations Security Council on the links between climate change and security. "What makes wars start?" Beckett asked rhetorically at the debate in which 50 countries participated. "Fights over water; fights over food production, land use...."

Ironically, when it was India's turn to speak, permanent representative Nirupam Sen sided with the group of 77 nations, then led by Pakistan. He refuted Beckett's argument with a reference to UN rules. "To make an uncertain long-term prospect a security threat amounts to an informal amendment of the Charter," Sen argued. He added that climate change should only be seen as a sustainable development problem.

Shifting Paradigms

Beckett, however, is not alone. One day before the landmark UNSC debate, a group of retired American generals and admirals released a report on the security implications of climate change. "The predicted effects of climate change... have the potential to disrupt our way of life and to force changes in the way we keep ourselves safe and secure," they stated.

Nitin Desai, a former UN under-secretary-general for economic and social affairs says, "The risks of climate change, especially for South Asia, are quite severe." Desai helped organise the Rio de Janeiro and Johannesburg summits on sustainable development — the very concept that Sen believes is central to climate change. Yet, he differs with Sen, "We are vulnerable on virtually all parameters, so tackling climate change is in our national interest."

In 2003, a year after the Johannesburg summit, American scenario planning experts Peter Schwartz and Doug Randall presented a report to the US Department of Defense outlining the impact of climate change on security. "It seems undeniable that severe environmental problems are likely to escalate the degree of global conflict," they wrote. "Military confrontation may be triggered by the desperate need for natural resources such as energy, food and water."

Climate worries have already put the Pacific island of Tuvalu on red alert. A few years ago, it started negotiating migration rights with New Zealand in case rising sea levels submerged the island. Thirty million Bangladeshis face a similar prospect. But, whether India accords them environmental refugee status may be more a political decision than a humanitarian one.

A Disaster Awaits

For India, climate change will hit what are already the country's most vulnerable natural re-

EXECUTIVE SUMMARY

- **Climate change will impact everything from food and water security to national and business interests**
- **Solutions to the problem will require a combination of smart investment from business as well as bold policy decisions from government**

TEAMWORK AND COMMITMENT

THE INVASION of Normandy during World War II was an achievement of military planning and cooperation. As many as 165,000 soldiers from eight countries smashed through beaches in Northern France. The action marked the beginning of the end of what had been mankind's bloodiest period of conflict.

World War II and climate change share many parallels, including how widespread the disruption could be. But the most important similarity is that climate change will also require the effort and coordination of many different groups of people to be beaten.

At least 1 billion people in Asia risk starvation from a drop in agricultural production potential. Half a billion people in India and China alone could lose fresh water supplies if Himalayan glaciers melt. Mass-migration and conflict will become endemic because of increased stresses over the disappearance of food and water supplies and of habitable land. Floods, droughts, soil erosion and severe storms could wipe out upto 30 per cent of all known species.

"What we take for granted might not be here for our children," says Al Gore in his award-winning documentary, 'An Inconvenient Truth'. Until now, high-level debate on climate change has been mostly driven by linguists and legal experts who argue over commas and misplaced clauses. That will have to end. In 2009, world leaders will meet in Copenhagen to craft a successor treaty to the Kyoto Protocol. What eventually forms part of that treaty will be up for negotiation. That it should be bold and demanding is not. Too many lives are at stake.

sources — water, agriculture and public health. "Climate change will adversely impact access to such vital resources and so, will be disruptive to peace," says Ashok Jaitly, a former IAS official and now a distinguished fellow at The Energy and Resources Institute (Teri) in Delhi. He feels that access to water will be the worst-off.

According to *The Stern Review*, a report compiled by former World Bank chief economist, Sir Nicholas Stern, in 2006, fast-melting Himalayan glaciers and snowfields, which today provide India 85 per cent of its dry-season river flow, will contribute only 30 per cent of these levels by 2050. Reduced river flow will affect hydropower generation, currently 5 per cent of India's energy mix, and will also hit agricultural production.

Coastal flooding will damage all coastal fresh water aquifers and nearby agricultural land. It will also flood cities such as Kolkata and Mumbai, where parts of the business district lie on land reclaimed from the sea.

A report authored by Jaitly says that Kolkata already faces a 30 per cent water shortage, Mumbai 25 per cent and Delhi 22 per cent. He says that water-related riots have already broken out in Rajasthan, and that some have even led to deaths.

Groups such as the US' Central Intelligence Agency and the UK's Ministry of Defence predict that water wars will be common in the future. One such war could take place between India and Pakistan over rivers originating in Kashmir. There may also be conflicts with Bangladesh over the Farakka Barrage and with Nepal over the Mahakali river.

According to Jaitly, India's biggest problem is that water is a state subject and, therefore, is poorly governed as a common resource.

Food And Agriculture

The UN's Food and Agricultural Organization estimates that 22 per cent of the world's people are engaged in agriculture. In India, this figure is well above 60 per cent. A vast majority of them are low-income farmers, who depend on rainfall and ground water for a successful harvest. According to Kevin Watkins, director of the UN Human Development Report Office, India's ground water levels are falling so quickly that up to 20 per cent of agricultural production is under threat. The FAO projects that India's cereal production could fall by 18 per cent or 125 million tonnes, from temperature changes alone. This will severely impact food supplies and agricultural activity. One Indian wheat variety, PBW-343, is already under threat from higher temperatures, according to scientists at the Indian Agricultural Research Institute. PBW-343 is used on 25 per cent of land currently under wheat production.

The Stern Review estimates that a 3 degree rise in temperature will drop crop yields, placing 550 million people globally at risk of hunger. This figure excludes the 800 million who currently go without regular meals.

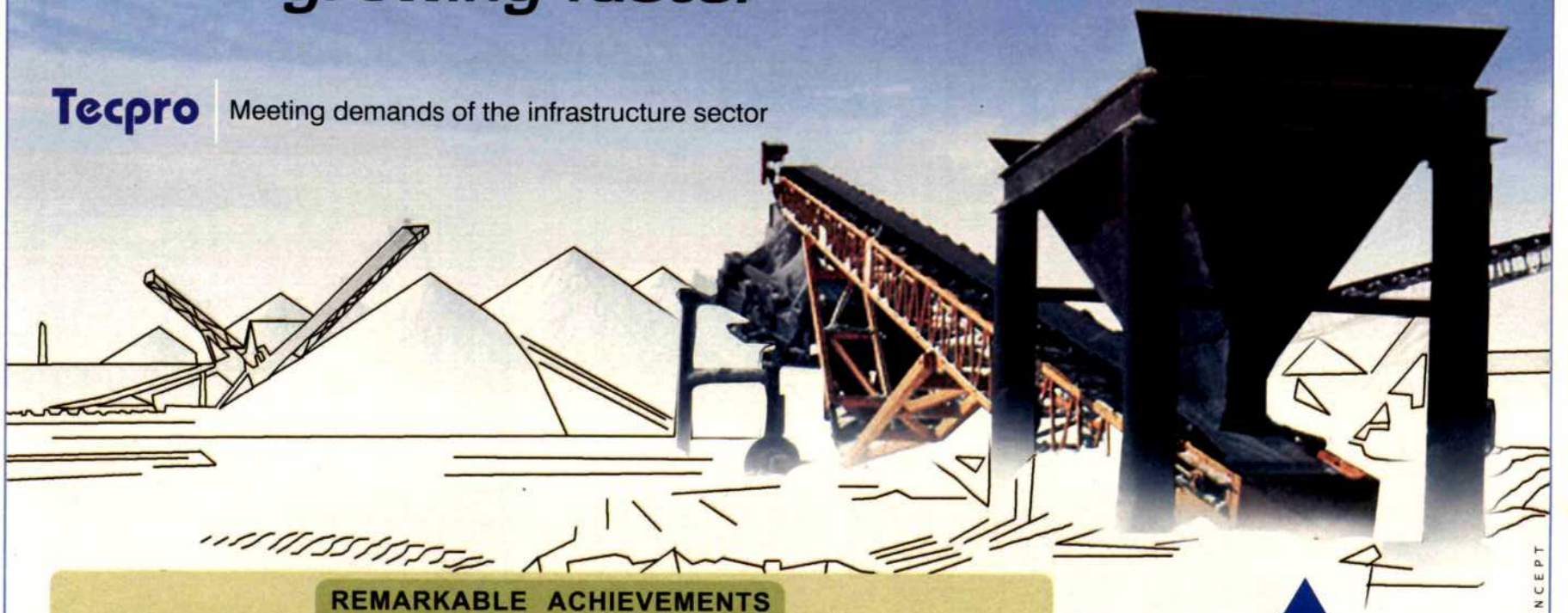
"Climate change will produce an agricultural crisis of a nature that has never been witnessed before," says Gopal Krishna, an environment and health policy researcher at Delhi's Jawaharlal Nehru University. But he assures there are solutions. These include creating crop varieties more resistant to climate variances and also creating lean and efficient supply chains linking farmers' fields to the consumers.

Health And Disease

Even a one degree rise in average temperatures could kill more than 300,000 people worldwide, according to the World Health Organization. For India, a tropical country, whose health

We are a complete ***material handling*** solution company
growing faster* than the industry we operate in

Tecpro | Meeting demands of the infrastructure sector



REMARKABLE ACHIEVEMENTS

ICICI CNBC **Emerging India 2007 Award** Powered by CRISIL in infrastructure category

ISO 9001:2000 for Quality Management System in respect of design, supply and installation of material handling system and components

At Tecpro Systems Limited, we provide turnkey material handling solutions from concept to commissioning. We serve clients in India and abroad with products and systems for crushing, screening and conveying systems across infrastructure sectors of power, steel, cement and other industries.

**Industry analysis service CMIE as regards material handling industry.*

Tecpro Systems Limited

At the core of the core sectors

www.**tecprosystems**.com

CONCEPT

"Tecpro Systems Limited is proposing to make a public issue of its equity shares and has filed a Draft Red Herring Prospectus (DRHP) with SEBI. The DRHP is available on SEBI website at www.sebi.gov.in. as well as on the book runner's websites at www.sbicaps.com, www.kotak.com. Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, read the section titled 'Risk Factors' in the DRHP". "This communication is intended for release solely in India. This Communication is not an offer of securities for sale in any other jurisdiction, including the United States. The securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933."

indicators are already among the world's worst, this is worrying.

Atanu Sarkar, a physician who specialises in social and environmental epidemiology and is part of Teri's visiting faculty, explains some of the impacts. "There will be increased incidence of vector-borne diseases, water-borne diseases, heat stress and even mental stress due to a combination of external environmental factors."

Usually, humans build natural tolerance and behavioural, cultural and technological responses against diseases that prevail in the environments they live in. But, according to a 2006 report from the British medical journal *The Lancet,* extreme events resulting from climate change could stress us beyond these normal adaptation capabilities.

Higher temperatures will lengthen the life cycle of mosquitoes, which will lead to more breeding - and biting. Sarkar adds that rising temperatures have already spread malaria to places, such as Haldwani and Almora.

Water-related diseases, such as cholera, diarrhea and gastroenteritis, will also proliferate. A 2005 study quoted in *The Stern Review* states that gastroenteritis cases increased by 25 per cent when slum-dwellers in Delhi were forced to drink contaminated water during a heat wave. Sarkar says that a disease like diarrhea alone could cost rural India upwards of Rs 7,000 crore in treatment costs and wage losses.

Communities may also be forced to relocate when their present habitats become unlivable due to floods or other climate-related disasters. This could further spread diseases.

A health crisis may yet be averted. The 2008-09 budget boosted health spending to Rs 16,534 crore, a 15 per cent increase. Additionally, 4,62,000 associated social health activists and link workers are in place, as are 177,924 village health and sanitation committees. However, with 600,000 villages in the country, this isn't nearly enough. Sarkar also sees a problem with the level of privatisation in the urban health sector. He feels this will exclude a number of urban poor in case of an epidemic. "Private hospitals and institutions must also be brought under an epidemic and disaster management system," he says.

The Risk Of Inaction

No one really knows what South Block thinks of climate change. This year, Finance Minister P. Chidambaram's budget promised an institutional mechanism to review appropriate responses to climate change. Last year, a similar announcement created the high-level Prime Ministers' council on climate change. But this group has yet to finalise it's first official report. Such inconsistencies prompted Jeffery Sachs, the director of Columbia University's Earth Institute, to remark that India's position was perceived as "ambiguous" by other countries.

The Confederation of Indian Industry (CII) says that Indian businesses face many risks from climate change. In a report entitled *Building A Low-Carbon Indian Economy,* it outlines some of these. For one, industries that rely on water or agriculture as raw materials will be hit hard. If energy costs rise further, inefficient production methods will become big cost-centers for companies. Additionally, consumers and investors may start to turn away from businesses that do not address environmental responsibilities. Finally, businesses could even face lawsuits for factories that emit greenhouse gases. In one

'DOCTOR, DOCTOR, SOMETHING'S WRONG!'

A host of climate-related diseases threaten to swamp already strained public health systems

Possible problems	Adverse Effects
Temperature extremes (more very hot days and possibly fewer very cold days)	More daily deaths and disease events - primarily due to more very hot days
Floods	More injuries, deaths and rise in infectious disease and mental disorders
Aero-allergen production	Increased allergic disorders (hay fever, asthma) due to longer pollen season
Food poisoning (diarrhoeal disease)	Greater risks at higher temperature (especially salmonellosis)
Water-borne infection	Cholera risk may increase by coastal/estuarine water warming/local flooding
Vector-borne infections	Mosquito borne infections tend to increase with warming and certain changes in rainfall patterns: heightened transmission, Likewise, tick-borne infections, although via more complex ecological changes
Fisheries	Declines or shifts in local fisheries: protein shortages (in poor populations). Possible increased contamination.
Sea-level rise	Health consequences of population displacement, lost livelihood, exposure to coastal storm surges and floods. Salinisation of freshwater and coastal soil.

Source: *"Climate change and human health: present and future risks", The Lancet,* Volume 367, March 11, 2006

Quality you can rely on

Since 1921, Komatsu Ltd. has been providing innovative, safe and eco-friendly products and services to a plethora of industries, while meeting the diverse expectations of customers worldwide. Its chief contributions have been in the areas of Infrastructure, Mining, Hydro Power Dams and a host of Development Projects across various countries around the globe.

In India, Komatsu is contributing by supplying efficient equipment for infrastructure, mining, and several other development projects. Today, its equipment is engaged in an irrigational project in Andhra Pradesh, which ensures optimal utilization of excess rainwater. This in turn will boost agricultural products, enabling a healthier nation and prosperous citizens.

Komatsu's powerful machines are designed with Japanese technology, but manufactured in India. So while they can perform highly sophisticated operations, they're also built tough to endure India's harsh weather conditions.

Armed with ingenious equipment, a dedicated workforce, and the relentless drive to create a better world, Komatsu is working extensively for the progress of both, the nation, and its people.

Global Teamwork

KOMATSU

Global Headquarters: Komatsu Ltd., Corporate Communications Department, 2-3-6, Akasaka, Minato-ku, Tokyo 107-8414 Japan. Tel: +81-3-5561-2616 Fax: +81-3-3505-9662 **www.komatsu.co.jp**
Construction & Mining Equipment Business Unit: Larsen & Toubro Limited, 1st Floor, Lakshminarayan Complex, 10/1, Palace Road, Bangalore 560 052, India. Tel: +91-80-22256982/3/4 Fax: +91-80-22250309 E-Mail: cmb@pro.ltindia.com
Komatsu India Private Limited, 8th Floor, DBS Westminster, No. 70, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004, India. Tel: +91-44-43238959/60 Fax: +91-44-43238964 **www.komatsu.com**

COURTECY: SOLUCAR

GREEN TECH: Nuclear power (above) and solar thermal power (below) are promising, zero emissions energy solutions, in what is usually the most polluting of all industries.

such case, an Alaskan village recently filed a suit against several companies for $22 million, for damage to its environment.

A Business-like Response

Scenario planning expert Peter Schwartz believes that such reasons are enough for businesses to start acting before moods of the government, investor and customer change. "While the decision to be an early adapter is a gamble, there are significant opportunities to lead, to innovate, and to profit," he says. Home-grown Suzlon already profits as one of the world's leading wind-turbine makers. Venture capitalists such as John Doerr and Vinod Khosla are pouring millions of dollars into research on bio-fuels, solar energy, advanced materials and efficiency improvements. Even serial entrepreneur Richard Branson has announced a $25 million prize for breakthroughs in green technology.

Preparing for climate-related disasters has already yielded benefits. According to *The Stern Review*, the $3.15 billion that China spent to control floods between 1960 and 2000 has prevented losses worth at least $12 billon. Similar projects in Andhra Pradesh have yielded an even higher cost-benefit ratio of 1:13.4.

Guiding Principles

While technology will provide many answers, enabling policy will help create breakthroughs even faster. To be fair, India's government has already done well with legislations, such as the Electricity Act of 2001, which encourages renewable energy generation, and the 2001 Energy Conservation Act.

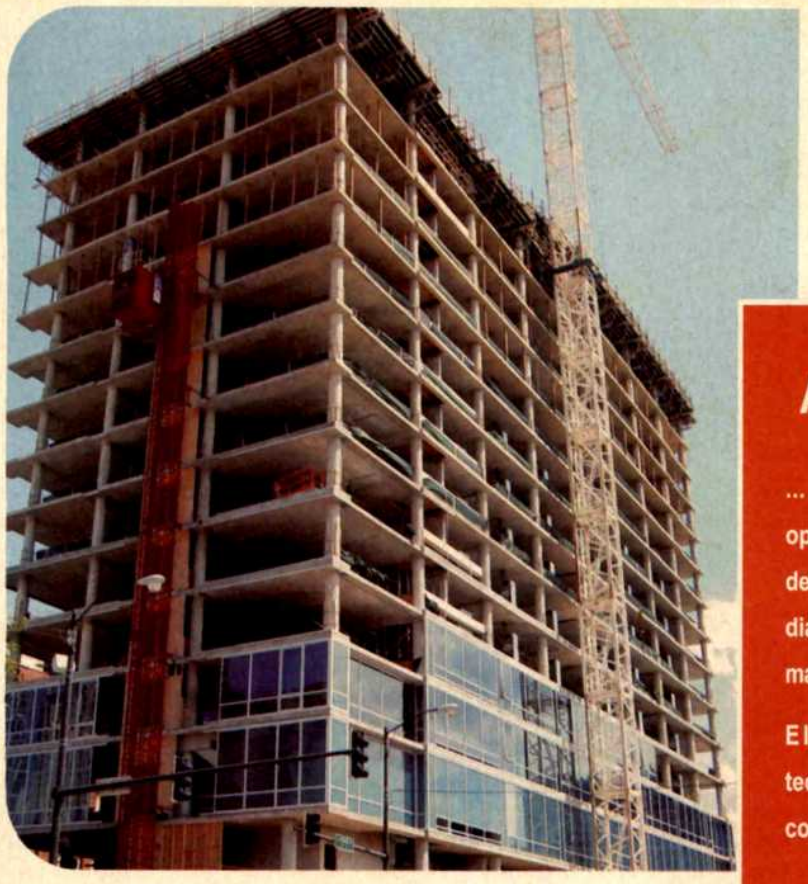
The Finance Minister's proposed institutional mechanism on climate change will review clean technology products, fuel emission and efficiency standards, the setting up of an emissions trading platform and the building of sustainable, greenfield cities. Excise duties on hybrid cars and electric vehicles have also been cut. Still, some of these duties are higher than those of regular petrol-driven cars. So, while Chidambaram's intentions are good, his results simply won't be enough.

An Umbrella Proposal

JNU researcher Krishna believes that access to vital resources can be perpetuated through a natural resources management plan (NRMP). This plan, he says should be the foundation of every other law governing the use of natural resources, such as forests, land, water, agriculture, environmental policies, mining and minerals and energy and power policies. The problem, however, is that the NRMP would require a wide-scale revision of several laws, including some parts of the Constitution itself; several items that Krishna feels should fall under an NRMP are presently state subjects.

Last year, the 2007 Nobel Peace Prize to the Intergovernmental Panel on Climate Change and former US vice president Al Gore for their work on climate change, inextricably linked climate change to global peace and security. The upside is that with the right investments and policies, we may not face the day when that link is proven beyond all doubt. "We can beat climate change, but we will need to be sincere about it," says Krishna. Mindsets in South Block and in industry must change if real progress must be made.

pierre.fitter@abp.in



ELGI

Think Long Run

AIR POWER...

... instrumental in drilling operations up to 100 feet depth for piles of 50 inch diameter in South Korea's massive skyscraper projects.

Elgi's air compressor technology plays a key role in core industries the world over.

ELGI AIR COMPRESSORS - IN 63 COUNTRIES. IN CORE APPLICATIONS

▸ Textiles ▸ Power ▸ Cement ▸ Construction & Mining ▸ Pharmaceuticals ▸ Food & Beverages ▸ Leather
▸ Automotive ▸ Engineering ▸ Chemicals

Oil-free Rotary Compressors
Oil-flooded Rotary Compressors
Portable Rotary Compressors
Oil-flooded & Oil-free Reciprocating Compressors

ELGI EQUIPMENTS LIMITED

Singanallur, Coimbatore - 641 005, India Tel: +91 422 2589555 Fax : +91 422 2573697 enquiry@elgi.com www.elgi.com

Branch Offices: Ahmedabad - 26583736 Bangalore - 22240674 Bhopal - 2578281 Chennai - 28586699 Hyderabad - 27768326 Jaipur - 2375595 Kochi - 2360155 Kolkatta - 22834270 Mumbai - 28591905 New Delhi - 25153644 Pune - 27145288 Tiruchengode - 257137

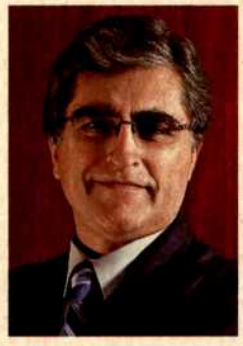
Overseas Offices: Bangladesh ▸ China ▸ Indonesia ▸ Kenya ▸ Malaysia ▸ Middle East ▸ South Africa ▸ Sri Lanka ▸ Thailand

Toll Free Customer Care Number 1800 - 425 - 3544

iB&W/ELGI/08/05

Problems Of Reel Life

by gurbir singh



Bans on films are to appease a particular community and win a few brownie points in electoral politics

THE INTERIM ORDER BY THE SUPREME COURT allowing the film *Jodhaa Akbar* to be screened in the states where it had been banned till 14 March comes as a shot in the arm for producers Ashutosh Gowarikar and UTV. But it could well be a pyrrhic victory. The movie was released more than two weeks ago on 15 February, and pirates have had a field day.

Haryana, Uttar Pradesh, Uttaranchal and Madhya Pradesh had formally banned the movie. In Rajasthan, *Jodhaa Akbar* was not released at all as the powerful Rajput community had warned exhibitors against it. UTV says the box office losses have been around Rs 5 crore. Considering the 'ban' had been imposed in large swathes of the cow belt, the main audience for Bollywood movies, the hit could be larger.

UTV invested a hefty Rs 40 crore in the movie and an additional Rs 10 crore in marketing and promotion. Its star cast of Hrithik Roshan and Aishwarya Rai is not repeated often, and even the critics admit it was a story well told. The merit of the Rajput objections can be debated. They have taken offence at the historical inaccuracy in the portrayal of the Rajput princess Jodhaa Bai. Some say she never married Akbar; others say she was married to Akbar's son Jehangir. But the objections should not have been carried beyond the debate.

Legally, the producers' case is watertight. They have obtained clearance from the Central Board of Film Certification — the Censor Board — and the states that have banned the movie have failed to follow due process of law against the film, falling back on easy administrative orders. Quoting an earlier Supreme Court judgement involving the Tamil film *Ore Oru Gramathile*, counsel for the film producers pointed out that the apex court had held that freedom of expression cannot be suppressed on account of a threat of demonstrations and violence.

However, the problem is larger than the parameters of the courtrooms. Courts cannot force exhibitors from screening movies and no cinema hall owner in Rajasthan is likely to take on the Rajputs. Scores of examples show government reaction to be typically opportunistic. Yash Raj Films' 2006 hit *Fanaa* featuring Aamir Khan was banned in Gujarat. More recently, Aamir Khan's own acclaimed movie *Taare Zamein Par* could not be screened in Baroda and other towns. Reason: Khan is a supporter of the Narmada Bachao Andolan, which opposes building dams on the river Narmada! Maharashtra, on the other hand, officially banned James W. Lane's book on Shivaji as it believed the book had derogatory references to the Maratha warrior.

The business of movie-making, and even printing books, involves huge investments. Bollywood films are routinely spending as much as Rs 30 crore-50 crore, while big blockbusters go even higher. The state and the Centre, committed to the Rule of Law, are supposed to provide protection so that a few dissenters do not infringe on the right of doing legitimate business; or, for that matter, the right to view a movie or read a book. These bans, however, are to appease a particular community and win a few brownie points in the scheme of electoral politics. The long term damage — making civil society more intolerant — is rarely understood.

Gowarikar and other creative directors have expressed serious concern that the current environment, if not reversed, will have serious repercussions on creative movie-making. Directors and producers will view the making of a serious film that focuses on current or historical issues that are contentious as a no-no. Films will become one-dimensional, formula entertainment.

But liberal protestations, like the one above, do not explain everything. Films are not seen as entertainment alone; nor are the subjects they raise taken as closed once a viewer leaves the cinema hall. Indian audiences become passionately part of the reel drama, and connect its story and characters to their own lives and social milieu. That is why actors will always be winning politicians. When Santokben Jadeja of Rajkot moved to have the movie *Godmother* banned for showing her (acted out by Shabana Azmi) in poor light, it was not because she was portrayed in the movie killing and terrorising opponents. She felt 'hurt' because she was shown as smoking bidis! Once the producers agreed to scissor out the offending footage, Santokben withdrew her case.

Movies will always be larger than real life in times to come. The creative challenge for directors, as always, will be to tell a good story while balancing conflicting cultural and social pressures.

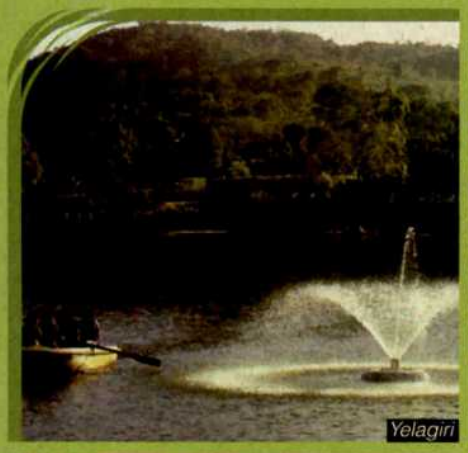
gurbir.singh@abp.in

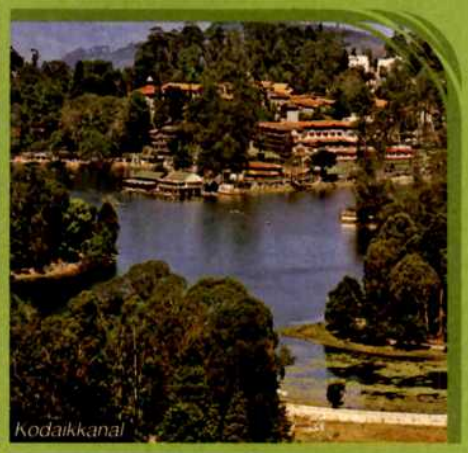
Incredible India

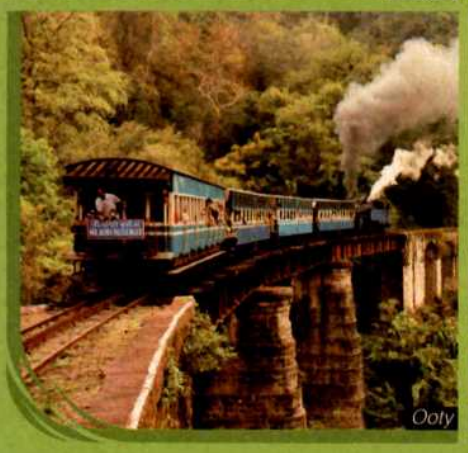
enchanting tamil nadu

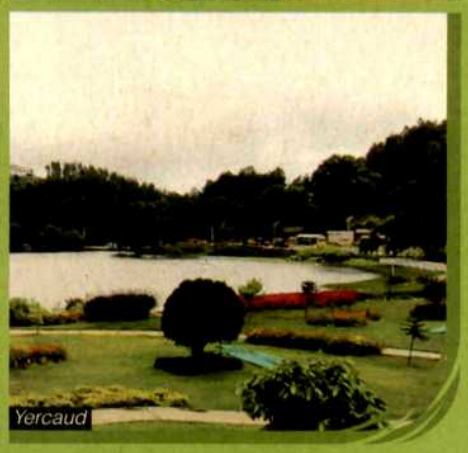
experience yourself

Even the summer takes a vacation here.


Yelagiri


Kodaikkanal


Ooty


Yercaud

When the heat begins, shift base to the hill tops of Tamil Nadu, where you can enjoy some of the finest hill stations in India. Cool, evergreen Ooty, Kodaikkanal, Yelagiri and Yercaud await your arrival. Come on up!

Tamilnadu Tourism

For details on TTDC's attractive package tours with excellent accommodation, transport facilities, please contact:
Tamil Nadu Tourism Complex, Wallajah Road, Chennai - 600 002. **INDIA.** Ph: 91-44-25383333 / 25384444. Fax: 91-44-25361385 / 25382772
E-mail: ttdc@vsnl.com, website: www.tamilnadutourism.org. For online reservations, please log on to: www.ttdconline.com
Call: **Chennai** 91-44-25389857 • **Mumbai** 91-22-24110118 • **New Delhi** 91-11-23745427 • **Kolkata** 91-33-24237432 • **Goa** 91-832-2226390
For accommodation at hill stations, contact The Manager, Hotel Tamilnadu,
Ooty – Ph: 0423-2444370/77; Kodaikkanal – Ph: 04542-241336/39; Yercaud – 04281-22335/36

The Buzziest Brands Awards 2008

An agencyfaqs! initiative

The Buzziest Brand Awards recognises brands that are most talked about.

Below, this year's winners:

BUZZY GOLD

From Left: Chandrashekhar Radhakrishnan of Airtel receiving the **Buzzy Gold Award** from K V Sridhar of Leo Burnett and Sanjoy Dutta, an architect & member, Mouthshut.com

BUZZY SILVER

From Left: Vikram Malhotra, general manager - marketing, Kingfisher Airlines receiving the **Buzzy Silver Award** from K V Sridhar of Leo Burnett and Shibani Ahuja, member, Mouthshut.com

BUZZY BRONZE

Girish Shah, head - branding, entertainment, financial services and corporate, Reliance ADAG (extreme right), receiving the **Buzzy Bronze Award** from Rajasagar, member, Mouthshut.com (second from right) & KV Sridhar of Leo Burnett (second from left); on stage with Kunal Nagaonkar, Reliance ADAG (extreme left)

BUZZY BRONZE

From Right: Kaushik Roy, president - brand strategy and marketing communication, Reliance Industries Ltd. receiving the **Buzzy Bronze Award** from Rajasagar, member, Mouthshut.com & KV Sridhar of Leo Burnett

Since Buzz is created by consumers, we also invited some Mouthshut.com members, who are prolific bloggers on products, to give away the awards.

Principal Partner: KINGFISHER AIRLINES *Fly the good times*

Institutional Partner: NIA

Associate Partner:

Prizes by: imagesbazaar.com

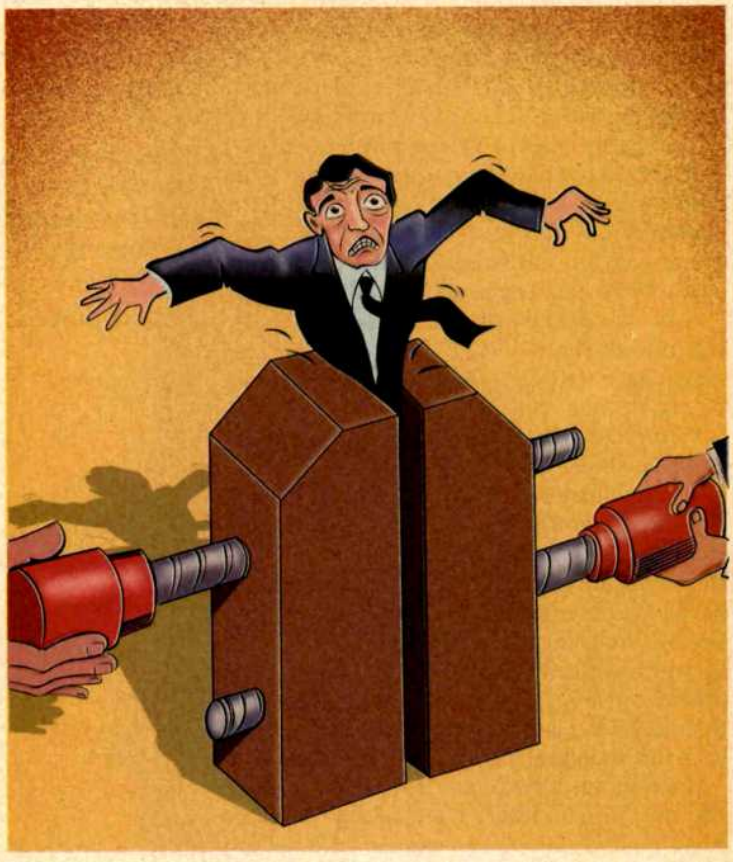
Innovation Partner:

Print Partner: BrandReporter

Up Against A Wall

The final test of a leader is that he leaves behind him in other men the conviction and will to carry on. — Walter J. Lippmann

by meera seth



ILLUSTRATIONS: ANTHONY LAWRENCE

VICTOR PURUSHOTTAM SLEPT LATE INTO SUNDAY. He was a habitual early riser, but this was not sleep. This was the mind come to a state of rest after whirring at high speed for 16 months. Victor was the director of operations at Kohl India, an advertising agency, and also one of its founders.

Last evening, he was at Nandikesh Syal's home for a dinner of smoked fish, a specialty that Nandi cooked for special people only. Besides, last evening was very special. It was the day Nandi had made up his mind that he was going to put in order Kohl India's relationship with Velcap, a big bucks client, but a client that had caused the agency, its people and its resources to be severely shaken in the past 16 months. Nandi, the 53-year-old CEO of Kohl, had set up the agency on sound lines of fairness and ethics. He had sworn off some kinds of businesses including fast foods and colas because, as he told Victor, "I will never be able to say one truthful thing about them that can help sell the brand!"

So it was that Kohl's clients were the small and medium companies, all of which, put together, were unable to leave enough in the bank after costs and salaries. Nobody minded for a long time, until 18 months ago, childhood friend Ramandeep Jain, CEO of a large, affluent company Velvet India (later Velcap) offered Kohl two of his business' advertising accounts. Nandi was overwhelmed. Velcap was in the kind of regular products — textiles, chemicals, recreation, computers and medical equipment — and big business on top of that. The vision of large sums of rupees piling up in his HSBC bank account made Nandi a very happy man.

Victor and most of Kohl weren't happy with Nandi taking on Velcap, as its image was not exactly healthy, and periodic controversies shrouded the company, from non-payment of excise to teeming and lading creditor cheques to lavish family weddings to usurping land belonging to an animal hospital. Kohl would have none of it, but Nandi was upset. Raman and he were childhood school-bus buddies, lunch-box buddies...he would hear none of this.

"How long will we live on less?" cried Nandi. "We need a new office, we need better looking cars and more computers and housing for more people, and we want to give our people full medical reimbursement Victor...we need a few big buck clients so that we earn more...and once we are comfortable, we will be fine!"

Velcap India turned out to be as Victor feared. Rude, rough, disrespectful and, critically, did not pay for many jobs calling them trials or experiments, not approving campaigns, and holding back 60 per cent of the invoice value with an assurance that they would be paid after the job was done. But reality was, Raman, the childhood buddy, became scarce and remote and his secretariat could not get him to sign any cheq-

ues or approve any bills and over the 16 months that Kohl had been on the Velcap account, Rs 1.62 crore worth of bills remained unpaid.

There was a lot of bad blood over whether Nandi was right, whether Victor was over reacting, whether the staff was being uncooperative, whether Kohl had its act all wrong, whether the leadership was derailing...in short, Kohl went through a horrific time just dealing with egos and tempers and anxieties, and the dreams and ambitions of the leader. At Kohl, everyone went into their respective shells and remained angry and ineffective, while Victor spent a lot of his energy trying to make Nandi see the pointlessness of Velcap in their lives.

Nandi remained unconvinced for a long time, until he met Mridul Munshi who gave the example of his client — a porn site — but a good client; he, thus, tried to explain to Nandi that the dissonance at Kohl had less to do with the ethical personality of Velcap, but more to do with Velcap not paying up. Uncannily, instead of being assured and encouraged by Mridul's experience, Nandi was shaken and alarmed. Victor was a near soulmate, and Nandi had chatted with him long hours about this.

"I am now clear that this relationship is leeching into my sense of right," he said to Victor, "and I have written to Raman asking that all bills be cleared in 15 days."

Victor had been jubilant and joyous. Nandi had come home at last! Victor, who had, thus, slept a well-earned night's rest, now woke up to a call from Akhil Swami, his CFO. "Some small trouble brewing with Criscom Printers over their dues of Rs 27 lakh. These bills are pending payment for more than nine months. These are for the 'Welcome to the Velcap World' glossy they printed for Velcap, which did not get approved by them...remember? Chetan Manek, their director, has been very aggressive. He has been threatening all kinds of action..."

Criscom was a medium-sized printing press and had been on Kohl's panel of dependable, good quality printers for many years. Chetan had been handed charge of the press recently by his elder brother with numerous caveats and some hidden threats too, as is wont of elder brothers. More recently, he had also told him, "If you lose money on the press, you are out!"

Chetan's finance manager, Samreshbhai, had approached Akhil's secretary a number of times, as also the junior staff for payment and they had kidded around with him, as young accountants do in a manner of lightening grave situations; and they told him, "*Arre*, Velcap *ke paas tumhara paisa* safe *hai*...payment *ke jagah woh tumko* share allotment *dengey*!"(Your money is safe with Velcap, they will make you a share allotment in lieu of payment!)

Velcap turned out to be rude, rough, disrespectful and did not pay for many jobs, calling them trials and holding back the invoices on the promise of paying it after the job was completed

When Chetan could not muster courage to face his brother, he met with the head of one of the industry association chiefs and sought help. Anupbhai, a director and the father of Chetan's friend told him, "Case *karo na*! Kohl India *ka do-chaar* complaint *hai*... you can do it if you have the guts. Somebody has to!"

Chetan was nervous and driven at the same time. Anupbhai recommended a solicitors' firm - not one of the expensive ones around the Fort Area, but someone more affordable. In an hour, he was talking to Anand Gogia, partner, Gogia and Company, who listened with an inscrutable smile on his face. He interrupted Chetan after his 20-minute monologue and said in a matter of fact fashion: "File for winding up and your money will be paid to you in 30 days!" And Gogia had slapped the table to make a point.

Chetan was dumbfounded. This seemed the most drastic desperate thing to do...but Anupbhai decoded all the complex explanation for him and said, "In business, there are some tools that appear terrible when seen with the eyes of a common man. So, see it with the eyes of a business man. Rs 27 lakh is not a small amount..."

The week began well for everyone and Kohl saw an enthusiastic, renewed Nandi paying more attention to other clients and shooting off more letters to Raman's teams to settle payments. Wednesday morning turned dark when a person in government service, presented to Nandi and Victor a lawyer's document on bond paper. The document read:

"Form No 48. Company Petition No 117 of 2008. Chetan Manek for Criscom Printers Petitioner...Advertisement of Petition....

Notice is hereby given that a petition for a winding up of M/s Kohl India Private Limited by the Court at Mumbai was filed on the 15th day of January 2008 and was presented to the said court by the petitioner Criscom India and that the said petition is directed to be heard before the Court on the 20th day of February 2008."

Even before he could speak or react, the man who had brought it, thrust a pen into his hand and asked him to sign it.

****

Victor called Nandi to join them, as Cyrus Mistry, his legal counsel, walked in. "Cyrus, this is most absurd, what *is* all this?" said Nandi, very agitated.

Cyrus said in his soft-spoken manner, "Allow me to explain," and set about to explain under what circumstances a creditor can issue a winding up order.... "Criscom may approach the

Court to wind up a company provided he can show that: Kohl owes him more than Rs 1 lakh — and such an amount should be acknowledged in the books of accounts of Kohl as being in debt to Criscom, see?"

Victor was agitated. "But why wind up Kohl? Isn't there a better way?"

Cyrus: Obviously he has tried fair means. Now he is choosing to be tough. We get many such cases — after all what does a man do if his well earned money won't be given to him, *nai*?"

"I understand a sum of Rs 27 lakh is due to Criscom. By this court order, Criscom has demanded payment and if Kohl neglects to pay within 21 days, or 'neglects to pay or secure it or compound it,' then ...."

Victor looked at him alarmed, "Then, what?"

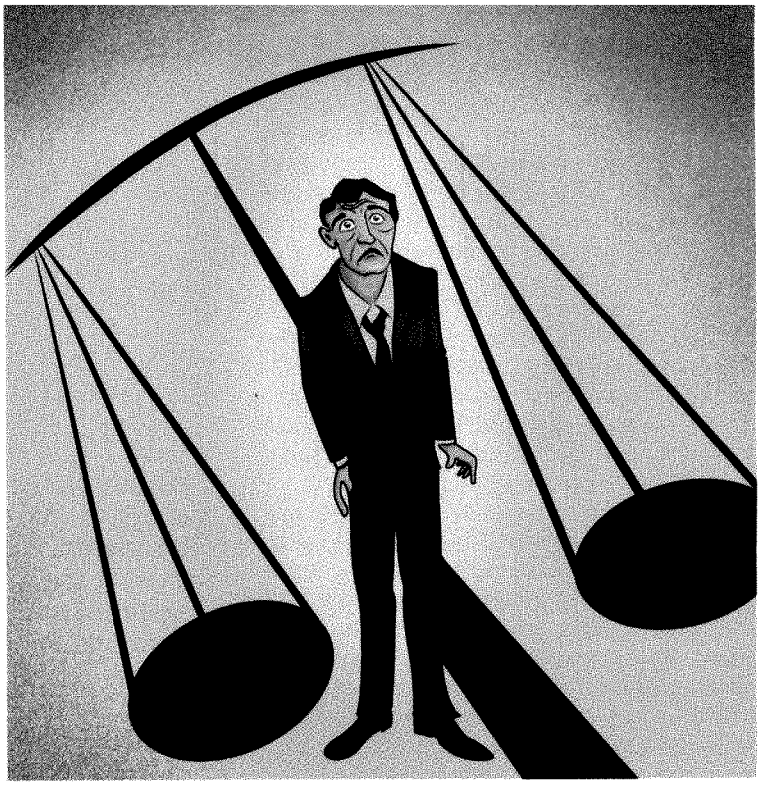
Cyrus: "Then the company shall be deemed to be unable to pay its debts. And suitable procedures will be commenced to declare Kohl bankrupt and, therefore, wind it up. Of course, the Court will enquire into whether the company is unable to pay its debts taking into account its prospective or contingent liability."

Nandi was devastated and taking a few inhalations of Asthalin, he said, "How come the law has provision for something like this, which anyone can invoke so easily? And what is this about bankruptcy? I didn't quite understand that." Cyrus reassured him, "It won't come to that, don't think about it, Nandi."

Yet, he threw in a caveat, "But one caution Nandi. The Court is likely to issue a Public Advertisement in the newspapers to inform all creditors of Kohl that such a proceeding has been instituted. It is a routine thing in a winding up order to give all creditors a chance to come and record their dues and make a claim as secured or unsecured creditor. In these circumstances, I advise Kohl to settle the bills owed to Criscom, even if these have to be paid in a few installments."

Nandi was broken, "That will make our name mud, Cyrus!" The whole situation, laced with legal innuendos, left Nandi and Victor exhausted and harassed. If Nandi didn't find options now, Kohl would be lost. The scenario was grim.

Presently, Akhil brought some relief when he said, "Does the fact that Criscom has been paid for another job for another client, render this winding up untenable?" Nandi liked this twist. Here was a good lad. He heard Cyrus reply, "Kohl can show that it has paid Criscom other money due to them as a defence in the winding up proceeding, but this can only help them convince the court that they have the capacity to pay and intend to pay. Then the court will order them to pay up and close the winding up proceedings!"



The whole situation, laced with legal innuendos, left Nandi and Victor exhausted and harassed. If Nandi didn't find options now, Kohl would be lost. The scenario was grim

Victor's mind was on a slightly different, but jagged track. If the muck was going to hit the ceiling, he was going to make sure a lot of it also fell on Velcap, particularly Raman Jain. Looking at Nandi wearily, he whispered, "Was it for this we set up Kohl? *Hanh*?" And to Cyrus, he said, "Let us examine the parties contracting here, and their acts. The brochure was ordered by Kohl at Velcap's behest. That is our role as an agency. So, is there any recourse we have to bringing Velcap into the suit? Equally, if Kohl asks Velcap and they say 'But the job has to be approved for a debt to accrue; and the job has not been approved, hence, we cannot pay...' what recourse does Nandi have, as director with unlimited liability?"

Victor explained how Velcap wanted this document 'Welcome to Velcap'; The job was delivered 11 months ago, but Raman's crony had said, 'Boss feels the colour of green that has been used for the leaves on the cover is not the one we agreed upon. Boss is refusing to pass the docket.' "Now...what arm twist can we apply on Velcap that is legally tenable?" Victor asked Cyrus. Even as Nandi made some sounds of protest, Cyrus said, "Victor, enough shilly shallying, you need to take legal action against Velcap and haul them over the coals to recover your dues! Oh yes, please show me the contract with Velcap please."

And that was when Victor shut his eyes and choked, "Cyrus, my good man, *there is no contract with Velcap. The earlier contract was with Velvet — which is not a legal entity anymore, and worse, we never really pushed for a new one*

after the merger!" Cyrus said a brief prayer, then, "Oh! That makes it difficult..." Then, looking at Akhil, he said, "Even so, read out the credit terms to me." Akhil read out: *The Client agrees to settle creative fees by the end of 60 days from the date of completion of a campaign... Bills for production jobs will be paid on completion of jobs to the satisfaction of the client. The Client shall make payments in advance for photography, film production, etc. as per industry practice and on approved estimates for such jobs as may be required from time to time based on such Invoices received from the Agency.*

Victor was now determined to give Velcap a really bad time. Sitting there, shirt sleeves rolled up, he said, "Listen Cyrus, I am not a legal man. So, please be patient. See, we have paid Criscom for other jobs and the books of accounts testify that. But that was because those clients paid Kohl and Kohl paid Criscom. So all this can establish is intention to pay; ability would be a function of client paying first, isn't it? Isn't there an escape route here?"

Cyrus shook his head; "No, the court simply looks at your net liabilities and net resources available. Not where your money comes from, but *if* you have money." Victor was pleased, "Good. But I want to drag Velcap into the pit. How do I do it? Can we, in turn, issue a winding up order on Velcap?"

Nandi could not believe his ears. "You are insane! At this rate, we will all be issuing winding up orders on everybody else! Is this how we want to live?!"

Cyrus spoke, "As long as Kohl has invoiced Velcap within the terms of the contract reached between them, Velcap will have to pay. If Velcap disputes the payment due, then this should best be resolved in the civil courts. If the Company Court [a bench of the High Court which is designated under the Companies Act 1956 as a Company Court] thinks there is a dispute about the amount payable to Kohl, then the debt against Velcap is not established."

Meanwhile, a distraught Akhil reported that the job docket for the Welcome book had *not been approved by Velcap.* "They were in such a rush, we did not push..."

Victor didn't give up. He said "OK, nothing lost yet, I can prove that Velcap had signed on the release order when the print job was released...I can get you as many copies of that release order from them. So, debt can yet be established on the basis of the release order?"

Cyrus nodded, "Yes, that will help. But if Velcap contests the existence of the debt, it must show that there is sufficient doubt about the existence of the debt. In that case, the Company Court will direct that this matter be filed before a civil court."

It is simply the nature of the relationship. Be that as it may, does the law take cognisance of a soft value called 'well-intentioned? I have done what Velcap asked me to. Why am I carrying the can? Who will protect us agencies?

Nandi could take no more, "Wait a sec! Victor? Are you talking of hauling Velcap into court? *They are rich! They will buy the entire system!*"

Akhil, now fully charged, said, "No Nandi, that is the least of the worries. But this caveat is — *Velcap has to show that there is sufficient doubt that the debt existed*...Now, is there any reason why Velcap can do this?" Nandi had reason to believe so; he said, "Well he did say in my presence that he was not going to pay..."

Victor, tense and fidgety, said, "I think we will first get Criscom off our backs and then work on Velcap, OK? Cyrus, my main worry is, does the winding up order first seek to prove bankruptcy?"

Confirming that, Cyrus said, "Yes, that is so. The whole set up is designed to bring pressure on the debtor company by first proving inability to pay. But if Kohl goes to court and pays, then the proceeding stops. So, S. 434 winding up process is a strong arm method of collecting debts owed by companies. And Clause (e) sets out that the Company, which is 'unable to pay its debts, may be wound up. And Section 435 specifies when a Company may be deemed to be unable to pay its debts...."

Victor remained agitated. He said, "Cyrus what you are explaining is law as it stood and stands all these years, assuming a certain environment of lawfulness, that is, it assumes that all vendors and customers are essentially well-intentioned and this law seeks to *enable.*

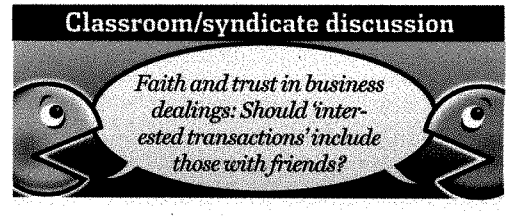
"Today we have a situation where Velcap, who stands as my debtor in my ledger at Rs 1.43 crores, is delaying and even refusing to acknowledge a debt for a job which it has ordered and consumed. For that I, Kohl India, will be wound up because I am unable to pay the vendors who executed Velcap's job. Can we all see how absurd this is? As the man in between, my intentions are good. It is simply the nature of the relationship. Be that as it may, does the law take cognisance of a soft value called 'well intentioned'? What the insurance chaps call *uberrimae fidei* or utmost good faith? I have done what Velcap asked me to. Why am I carrying the can?

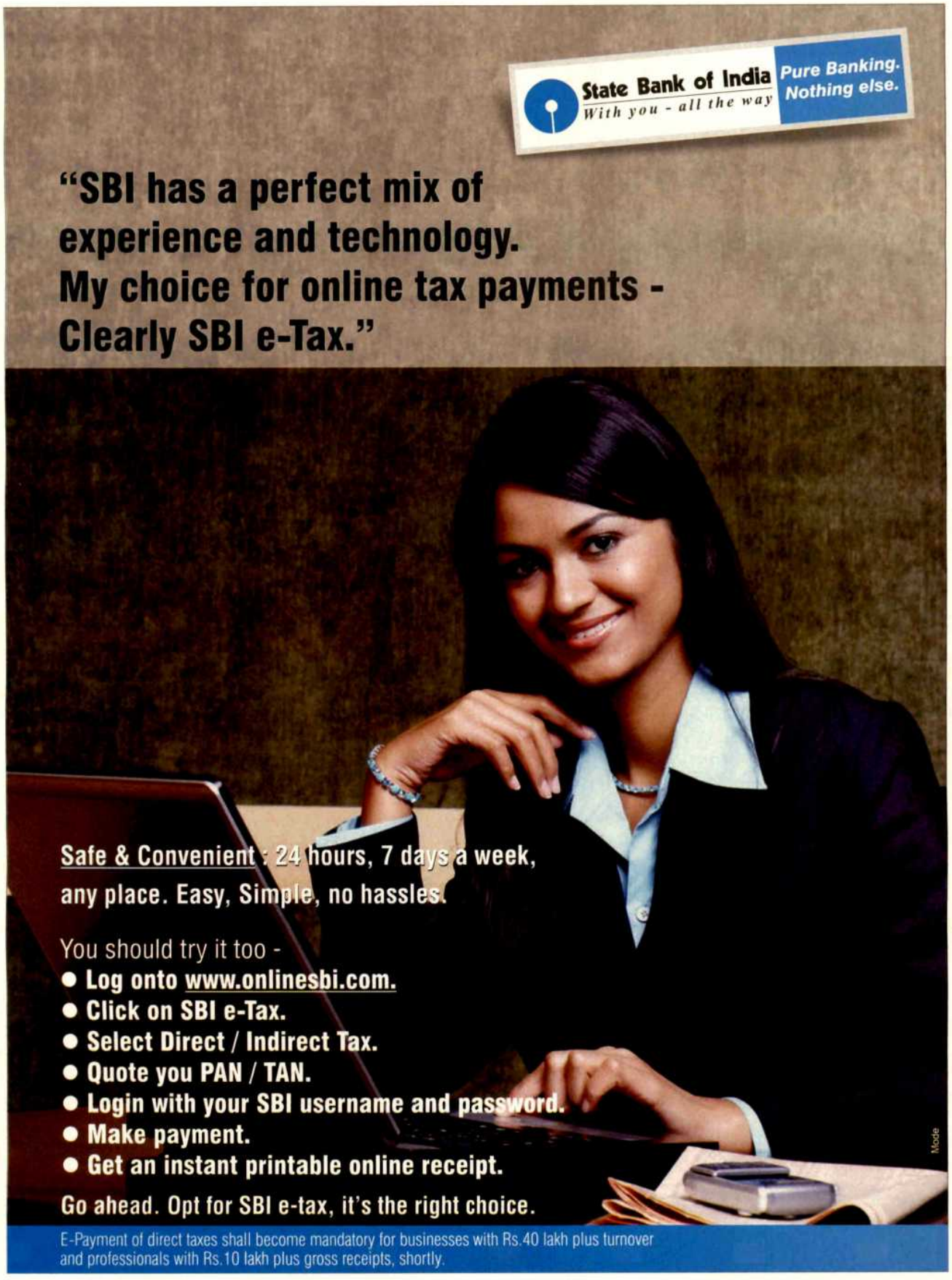
"Who will protect us agencies?"

---

casestudymeera@gmail.com

Classroom/syndicate discussion




State Bank of India
With you - all the way
Pure Banking.
Nothing else.
"SBI has a perfect mix of experience and technology. My choice for online tax payments - Clearly SBI e-Tax."
Safe & Convenient : 24 hours, 7 days a week, any place. Easy, Simple, no hassles.
You should try it too -
• Log onto www.onlinesbi.com.
• Click on SBI e-Tax.
• Select Direct / Indirect Tax.
• Quote you PAN / TAN.
• Login with your SBI username and password.
• Make payment.
• Get an instant printable online receipt.
Go ahead. Opt for SBI e-tax, it's the right choice.
E-Payment of direct taxes shall become mandatory for businesses with Rs.40 lakh plus turnover and professionals with Rs.10 lakh plus gross receipts, shortly.

Leader In The Den

A leader's decision's should be governed by a robust "value compass"

IF HISTORY AND PHILOSOPHY WERE TO BE SOURCE of some wisdom, then, for starters, leadership is a skill that needs honing. Virtues and capabilities need to be cultivated so that they become habits.

In saddle, the leader is expected to posses those ethereal, indescribable, special qualities and it demands, he satisfies multiple constituencies. The sharp scrutiny he is subjected to comes with the turf.

To be fair to Nandi, he instituted a value system his team subscribes to; in fact, there is conflict when they feel he is straying. In Victor, Nandi has a conscience keeper, a sign of a good leader. There is no evidence of his crossing the invisible line of ethics and fair play. He is keen on ratcheting up his business to the next level, which is expected.

For a leader, a necessary prerequisite is, his decisions should invariably be governed by a robust "value compass". This is actually a tall order, but mandatory.

If one were to review the jobs executed for Velcap, they are indeed routine and for a legitimate business. The genesis of the crisis lies in Velcap defaulting on payments causing a cash crunch leading to Kohl facing winding up charges.

Nandi is accountable for delivering poor results. Inadequate business processes and absence of circuit breakers has made his business vulnerable. Blood is in the water and the sharks are moving in. The crisis has acquired a life of its own, problems emerging from the least expected sources.

The crux, however, is that Nandi trusted Ramandeep, in hindsight, a grave error of judgement. This fatal disease of betrayal and treachery from a quarter you least expect is an ailment many leaders have succumbed to. We grow up being taught to trust and, in real life, suffer the misfortune of betrayal.

Some are buried under this deceit, others become cynical and many seek revenge. It is a nightmare that reruns in life. Managing this minefield is a subject in itself.

I, too, have experienced several challenging business conditions, amongst them, issues emerging from interpretation of laws and crippling financial claims by the authorities, regulatory issues in food and beverage products, on the other.

Post mortem invariably suggests that the cause of the disaster was obvious and had been missed by a battery of experts; alternatively, a lengthy legal procedure confirms the charges were misplaced. Investigations are embarrassing, routine decisions taken in the past have to be defended. In any event, the collateral damages are punitive. The time consumed to resolve issues, the toll on reputation and the impact on business can scar people and companies.

Why is business replete with CEOs committing similar mistakes despite education, training and regulatory measures? Simple, we are human beings; hindsight always offers a 50:50 clear vision, which, alas, is not available as we look into future — this is Nandi's reality.

In his first eight years as chairman, Ratan Tata was pilloried; vested interest conspired to trip him up, there were setbacks that convinced the sceptics that he was not up to it and yet, the rest as the cliché goes is history. I, for one, had great faith and respect for him then and even more now.

Take the case of Jawaharlal Nehru; few know that he spent more than nine years in prison as he built a case for India's independence, later he made seminal contributions to a fledging country as we moved from a, pillaged to poverty colony, low on confidence to a modern, secular, democratic, republic. These are often ignored in light of the Kashmir issue and the Chinese invasion. Scrutiny of the documents, as they get declassified, reveal the constraints he had and the reasons for his decisions. Critics focus on narrow issues while the larger benefits are not acknowledged.

I would disregard leaders who are guilty of the "seven deadly sins" influencing their decisions. However on poor results there is case for dismissing a CEO, but we could be cautious and not dismiss his argument. Decisions in life are taken in *real time* when the leader has short windows of opportunity, few choices, pressure of conflicting interests, limited resources, sharp downsides and no guarantees for success. Often times the results of a decision are dramatically different from the intention.

Leaders relish the challenges and glory they experience; however if we were to walk in his shoes it is evident that it extracts a price. Three Gandhi's paid for it with their lives but CEOs are lesser mortals, they mostly skip bonuses, sometimes lose their jobs, and at worst have a cardiac arrest and become consultants.

In crisis, grace under pressure and compassion are valuable lessons, Nandi could reflect on the wisdom of this thought.

Subroto Chattopadhyay heads the entertainment sector for RPG Enterprises.

BSNL
LANDLINE

Meerut 1800-180-9800

Bangalore 1800-180-9800

Ahmedabad 1800-180-9800

Kolkata 1800-180-9800

Many states. One country.
Many locations. One organisation.
Many queries. One number.

Grow your business with BSNL's Toll-Free number and UAN services.

BSNL provides you a whole lot of facilities with one unique number. Its Free Phone and Universal Access Number services allow busines communities (corporates, banks, institutions, airlines, dealers, etc.) to stay connected to their customers anytime, anywhere on just on number. Free of cost or at a discount. So, if you want to prosper, it's better to have the latest technology by your side.

- Origin Dependent Handling
- Date/Time Dependent Handling
- Call Indication
- Detailed Billing
- Call Queuing
- Call Distribution
- Time Limit per Call
- Line Hunting
- Call Limiter
- Call Rerouting
- Vanity Number

This service is accessible from other telecom operators also.

* For details visit www.bsnl.in or contact customer care 1800-345-1800 (toll free).

BSNL
Connecting Indi

An Error Of Judgement

The Indian experience with debt collection laws has been anything but successful

VICTOR PURUSHOTTAM AND NANDIKESH SYAL WILL need to draw upon their best collaborative instincts as well as good legal advice to ensure that Kohl India stays on course. Putting aside the negative vibes from their legal battles, they need to make dispassionate and sound decisions to get Kohl out of trouble. Kohl's experience suggests that the law and the formalities of legal compliance provide organisations with an active site for collective deliberation and exchange, which are essential for successful business organisations.

Nandi and Kohl's eager pursuit of Velcap, as a client, is a common experience for any professional agency keen to grow rapidly. A good personal rapport is critical for successful business relationships, but it is critical to back that up with formal legal documentation that supports a claim in court.

Kohl's disregard of formal legal compliance is not surprising: often disregard for legal form is worn as a proud badge by those who 'get things done'.

The laws relating to collection of debts is arguably one that can be traced back to the earliest societies governed by the rule of law. However, despite this vintage, the collection of debts is far from easy in most legal regimes. The Indian experience with laws relating to debt collection has been anything but successful. Excessive delay in the civil courts and the various appeals and review options available has meant that perseverance and longevity have been critical attributes of any successful litigant. There have been several efforts at facilitating quicker recovery procedures for banks and financial institutions; the DRT (Recovery of Debts Due to Banks and Financial Institutions Act, 1993) and the SARFAESI (The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002) methods have facilitated debt recovery by these institutions, but have left other creditors to the mercy of the civil court system.

It is in this situation that creditors take resort to the winding up process available against companies, which do not discharge their debts. Though strictly not a debt collection procedure, the winding up process gives creditors the opportunity to embarrass the company into discharging its debts or at least communicate the seriousness with which they intend to pursue their claims.

While Chetan may be a greenhorn in the printing business, his desperation to be successful, aided by the practical advice of his lawyer, leads him to choose the winding up application as the preferred method by which he can recover his dues.

The shock and awe that the winding up notice stirs up at Kohl suggests that Chetan will see quick success! While Kohl may choose to contest the petition, the risk of the Company Court admitting the petition and issuing a public advertisement is one they are unlikely to bear.

Moreover, Akhil, Victor and Nandi's lax legal compliance may not support a claim to 'wind up' Velcap. Hence, Kohl may find itself squeezed from both sides — they will have to pay Chetan's Criscom Printers and may be unable to recover from Velcap.

The management team at Kohl feels that they bear the brunt of an illogical and one-sided winding up law used as a debt collection process. However, law is often a stratagem used to achieve myriad objectives. Though laws are framed as a general body of rules directed towards general policy objectives, the individual actors who deploy the law invariably do so with mixed motivations — to achieve objectives, which may be far from those anticipated by the law makers. To call every such instance an abuse of law or its process displays a certain naiveté about the law and its workings.

The Kohl team is likely to profit more by focusing on their internal processes rather than Velcap and Criscom. Nandi must recognise his failure to lead; while he may be genuinely motivated by Kohl's interests, in pursuing Velcap as a client, his error of personal judgement and failure to engage the collective leadership at Kohl has lead the agency to this difficult situation. Often, the requirements of law and formal legality are portrayed to be antagonistic to corporate leadership. As this case vividly illustrates, going through the rigours of legal compliance often brings diverse actors in the organisation to deliberate and collaborate effectively, thereby, avoiding grave errors.

So long as Kohl allows internal debate and exchange, the process of legal compliance would offer the staff and leadership team an opportunity to exchange views on the risks and rewards inherent in the Velcap deal. This early opportunity to engage in collaborative decision making may well have saved Kohl from the critical situation they find themselves in today.

The author is an assistant professor at the National Law School of India University, Bangalore. krishnaswamy-sudhir@gmail.com

Taking Growth To The People

Chhattisgarh today has one of the best industrial policies in the country, ranking high in terms of good industrial relations and labour productivity, and has emerged as a favoured investment destination

Chhattisgarh came into being on November 1, 2000. With an area of 1.35 lakh sq km, it is the ninth biggest State in the country, with 50 per cent of its area under forests. With a population of 2.10 crore, the State has a population density of 154, as against the national average of 350. The State has a Scheduled Tribe and Scheduled Caste population of around 44 per cent.

Chhattisgarh is a mineral rich State and produces a staggering 13 per cent of the mineral produced in the country. Besides forests, the State is endowed with rich minerals. It has 16 per cent of the country's iron ore deposits; 19 per cent coal reserves and 25 per cent of its dolomite reserves. From gold to diamonds and tin to bauxite, the State contains precious and rich minerals. Despite nature's gift and rich minerals, the State was recognised as backward. It was a huge challenge for us to transform the State and take it on the path of sustainable inclusive growth.

In order to achieve our objectives, we have done optimal utilisation of our financial resources by inculcating strong sense of fiscal discipline and proper expenditure management. The size of the budget has increased more than threefold in the past seven years—from Rs 5,704 crore to Rs 18,231 crore. The Annual Plan has shown an impressive rise of 130 per cent in last four years.

We have given top most priority to the social sector. Nearly 43 per cent of the budgetary outlay is for the social sector. Recent Reserve Bank of India reports underline that Chhattisgarh was the best State for its social sector spending.

We are one of the best fiscally managed State, with the lowest establishment cost in India. I am proud to say that we have never overdrawn or taken the ways and means advance from the RBI even for a single day.

The consumption of electricity has increased from 1200 MW to 2000 MW. Due to the overall development, the per

High Growth Rate

The Tenth Five-Year Plan period came to an end on March 31, 2007. In this Plan period, the GDP of Chhattisgarh increased by 8.68 per cent against the national target of 6.10 per cent. In agriculture sector, the State recorded an achievement of 6.26 per cent and the national target of 3 per cent and in the industrial sector, the growth rate stood at 14.7 per cent against the national target of 7.5 per cent. In the service sector, the State recorded a growth rate of 7.78 per cent against the national average of 7 per cent. The State Government's focus remains on the social and economic sectors and it has allocated 43 per cent of its total expenditure to these sectors in the year 2008-09.

capita income has also shown an impressive increase from Rs 7,000 to Rs 22,605 in past seven years. With strong focus on health and education, the infant mortality rate declined from 95 per thousand to 63 per thousand.

I feel proud to inform you that the Chhattisgarh government has translated the dreams of Gandhiji for which Satyagraha and Dandi March was launched into reality. You will be surprised to know that my first decision after taking over as the Chief Minister was to launch the scheme that would provide iodised salt to the tribals and Scheduled Caste people for just 25 paise.

It is customary for tribals to exchange salt in return of giving forest produces. Tribals use to barter Rs 50 per kg chironji for salt which was worth only Rs 2 per kg.

With this scheme, the blatant exploitation of tribals has come to an end. Such schemes look small, but have a big significance in providing facilities and relief to the oppressed class of society.

Food Security

The Chhattisgarh government has launched a scheme to provide a kilogram of rice for just Rs 3 to 34 lakh poor families in the State. Under the scheme, each family will get 35 kg of rice every month. This is a big leap forward towards food security.

The agriculture sector continues to be an area of concern for all. Farmers' suicides and hunger deaths are increasing day-by-day. You will be happy to know that Chhattisgarh has been an agriculture success story. As against a national target of 3 per cent, agriculture sector in Chhattisgarh has grown by a staggering 7.5 per cent. This has been possible on account of several policy initiatives like reducing interest rate from 13-14 per cent to 6 per cent. While farmers earlier used to take loans to the tune of Rs 300 crore, this has now increased to over Rs 600 crore. There has been a recent report of the Centre that Chhattisgarh, was the number one investment destination in the country in 2006-07.

We produce India's 27 per cent of steel, 30 per cent aluminium and 15 per cent cement. We are growing at a very rapid pace and soon Chhattisgarh will be a frontline industrialised State. We have moulded the mineral policy of the State for the larger interest of the local people, emphasising on value addition, regional development and ensuring employment. We are ensuring inclusive growth with balanced regional development.

Power Hub

You may be surprised to know that 49 private firms have agreed to invest a staggering Rs 1.59 lakh crore in the State for producing 39,500 MW of power. The new energy policy of the State is ensuring that we will get 7.5 per cent power at variable cost from independent power producers. Our estimate is that the State can earn approximately more than Rs 2,000 crore annually only by selling power.

I am very happy to share with you that Chhattisgarh is the first State to achieve the distinction of being zero power-cut State. We are providing 24x7x365 based power not only to urban areas but also to rural Chhattisgarh.

We are equally committed to green Chhattisgarh and are promoting non-conventional energy resources in a major way. More than 25 crore saplings of jatropha have been planted. The seeds will be used for producing bio-diesel. As you know, jatropha is grown in agriculture waste lands and provides green renewable fuel. Chhattisgarh is a pioneer in bio-diesel in India. Further, we generate 250 MW power through rice husk.

Chhattisgarh is progressing by leaps and bounds . However, some areas continue to be infested with Naxal insurgency. In southern part of Chhattisgarh, a spontaneous peoples movement by name *Salwa Judum* (peace movement) has started as a revolt against the naxal movement.

This people revolution is threatening the raison d'etre of the naxalite movement and it is only a question of time that the naxalite movement will be a thing of the past.

(Speech of Dr Raman Singh CM, Chhattisgarh, on receiving National Award at Pune.)

CM Speak...

"We see Chhattisgarh emerging as the Power Hub of India—we have the capacity to cover half the demand-supply gap in the country, and have tied up over 5,000 MW of generation in one year alone"

"Focussing on eco-tourism and ethno-tourism, and facilitating private sector initiatives, we will adopt a pragmatic approach to development of sustainable tourism activities"

"E-governance is oriented towards ensuring people's access to the State Government, making us even more transparent and responsive"

"Chhattisgarh is the richest part in India, and we will ensure that its mineral riches translate into benefits to our people. I call upon the national and global investment community to help us in this endeavour."

sananda
সানন্দা
the world within her

naba barsha

The Bengali New Year or *Naba Barsha* is just round the corner. The *Sananda* woman is gearing up to splurge guilt-free... to celebrate the festive spirit by shopping for herself and her loved ones.

But she's waiting. Waiting for the *Sananda Naba Barsha* special...to search for her best fit from the world of fashion, trends and lifestyle. But you can't wait. Book your way into this special number, today.

And see her riches convert to your revenue.

For business information contact:

Bangalore Atithi Samanta 9845047944 Chennai Anantha Krishan 9840970776 Delhi Anirban Bagchi 9811040043 Kolkata & Rest of East Abhiroop Ghoshdastidar 9748004498 Mumbai Bipasha Roy 9821602929

FASHION

Bold hues

With the ramp as their canvas, the designers at Paris Fashion Week painted freely and fearlessly

IF THE AUTUMN/WINTER 2008-2009 PRÊT-A-porter Paris Fashion Week is anything to go by, then be prepared for a rather eclectic winter wardrobe. Pantsuits in grey flannel, silk jersey cocktail dresses in cheerful colours, coats in bold pinks and greens, wedge heels, strappy pointed heel boots and smaller clutch bags are just some of the items that will figure on the 'must have' list for the colder months.

John Galliano's collection for Dior paid tribute to the romanticism of the house's founder Christian Dior, who died in 1957. He sent out 61 models with big hairdos and elaborate eye make-up, wearing full skirts and long evening dresses in bold chain prints in what appeared to be a throwback to the youthful and spirited 1960s. Galliano's coats and jackets in warm and inviting shades of pink, orange, violet and lime green were also indicative of the fact that this year a bold colour palette will be on a par with the blacks, greys and blues that usually dominate the winter season.

The trend of paying homage to their predecessors was kept alive by some of the debutant designers. This resulted in lines that appeared to seamlessly combine heritage with modernism, hinting at a return to the classicism of the 1960s and 1970s. Thirty-five-year-old Alessandra Facchinetti, who took over the reins at Valentino after the maestro retired

INDIAN CONNECTION: Debutante Rajesh Pratap Singh made a big impression

In Vogue

AP

COLOUR ME GREEN : Mixing it up will be the way to go

in January, presented her first collection during the week, as did 23-year-old Esteban Cortazar of Emanuel Ungaro. Both Facchinetti and Cortazar distilled the romanticism associated with their respective houses to send out models in dresses that exuded an understated glamour.

Another newcomer to Paris was India's Rajesh Pratap Singh, whose collection 'Rossi Meets Mother Teresa; Biker Jacket Meets the Saree' was in trademark style — subtle. Slivers of bright pink, purple, orange and blue added a dramatic touch to an otherwise entirely black collection of elegantly cut shirts and hooded tops with his signature pin tuck patterns. Singh, who took three years to prepare for the show, said, "I'm delighted to be in Paris and to see my collection received so positively."

DRAPED FINERY: Rajesh Pratap Singh integrated "ghunghat" into his collection

Manish Arora, in his second Parisian season, was the other Indian participating in the fashion week. His collection, with warrior overtones had elegantly cut jackets and skirts with Disney's Mickey Mouse and Goofy kitted out in Roman armour. "I think Manish's clothes are wonderful and display his quirky nature and are bound to be successful in Europe and other parts of the world," said Jens Steininger, the apparel business director for Disney Consumer Products, as he watched Arora's show.

There were, of course, other designers whose eccentric creations will have to be toned down to create 'real wearable' clothes. Rei Kawakubo at Comme des Garçons decided to "do bad taste", which resulted in models walking down the ramp wearing coats with huge lips, and hearts cut out to reveal garter-belt frills, cheap white bras and lace-trimmed knee-highs. John Paul Gautlier decided to pay tribute to nature by using lots of fur and leather — something that would not endear him to animal lovers. But Issey Miyake's Dai Fujiwara, with his dress in biodegradable materials, will have the environmentalists eating out of his palm.

Whether classic, futuristic or plain eccentric, the collections did have some common underlying themes. Judging by what was seen on the ramps, the end of the year will be dominated by jersey — the fabric of choice for a number of designers. It made an appearance in the form of a tunic in Rick Owens's collection; was elegantly draped across the models by Junya Watanabe, and was tailored into a beautiful yellow cocktail dress by Cortazar. The usual winter suspects — suede, tweed, wool and leather — will also remain in style.

Accessories, it would seem, will become less important with jewellery replacing bags in the pecking order. And boots will be the rage when it comes to shoes — be they laced up, fringed ankle boots by Christophe Decarnin for Balmain or velvet high-heeled boots by Christian Lacroix.

There is good news for those with more conservative tastes. The suit will continue to remain in vogue. Ruffles at the end of shorter skirts and shirt collars will add a feminine touches to the otherwise masculine attire.

It would seem that we are headed for a warm and romantic winter.

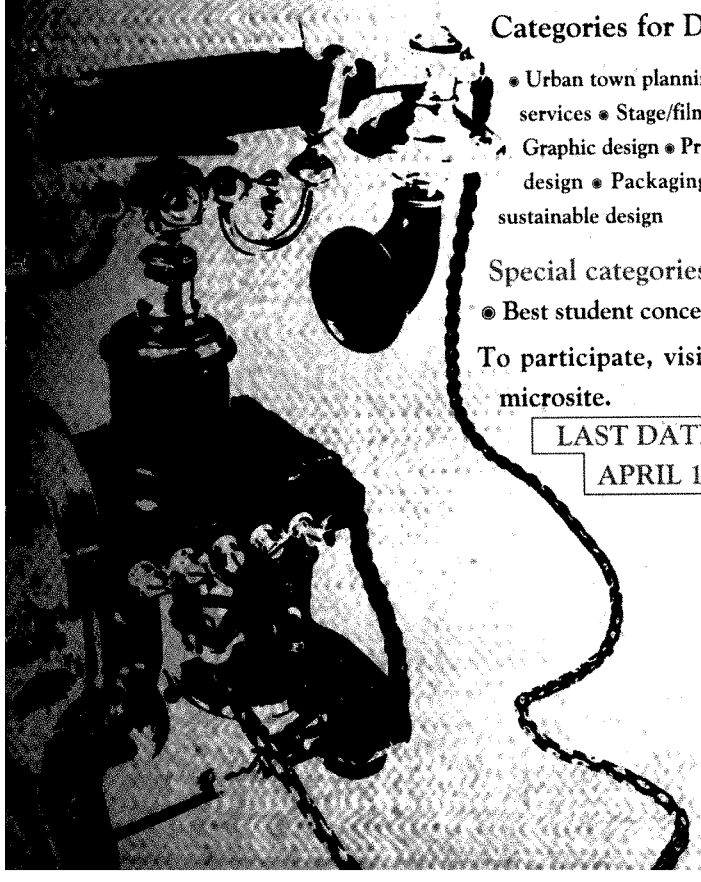
Sumati Nagrath

Elisha Gray.

A Quaker from rural Ohio, who applied to patent his working design for the telephone, just a few hours after Alexander Graham Bell.

Alexander Graham Bell.

You know who.



Businessworld invites entries for the Design Brilliance Awards 2008. Send in your entries now or wait till it's too late.

Some people are always in the right place at the right time. The rest, well, they're called 'the rest' for a reason. Precisely why we invite you to send in your entries for the Design Brilliance Awards right away.

Categories for Design Brilliance Awards 2008

• Urban town planning • Fashion and lifestyle • Social design including products and services • Stage/film set design, production and cinematography • Digital design • Graphic design • Product design • Furniture design • Transportation and automobile design • Packaging design • Animation • New media installation • Green and sustainable design

Special categories added:

• Best student concept • Designer of the year • Lifetime Achievement award

To participate, visit www.businessworld.in and fill up a form on the microsite.

LAST DATE FOR ACCEPTING ENTRIES EXTENDED TO APRIL 16, 2008 DUE TO GREAT DEMAND.

future group
India Tomorrow

presents

DESIGN | BRILLIANCE AWARDS 2008

Businessworld

राष्ट्रीय डिज़ाइन संस्थान
NATIONAL INSTITUTE OF DESIGN

BATES DAVID ENTERPRISE 1587

Entertainment

PENGUINS AT THE OSCARS

BOLLYWOOD IS WHERE Indian singers' fortunes are. But increasingly, it is turning out to be the graveyard of their creative potential since return on investment in music tends to favour recycling of what works. So, talented Bollywood singers record albums outside films to showcase their virtuosity and even challenge themselves. Sonu Nigam's *Classically Mild* is such an effort.

Released late February, the album has a crossover sound and verve. Composer Deepak Pandit has tested Nigam with tunes that fuse the demanding classical patterns with the bop of pop. The result is that even Nigam's trained vocal chords seem stretched. In fact, the album comes with a Nigam disclaimer that he has done this album to learn his limitations.

Even the most gifted of them all, Lata Mangeshkar, has had to look outside Bollywood to sing what she wanted to. In 2007, she came out of near-retirement with the release of *Saadgi*, an album of geets and ghazals. Once earlier also, after the tone-deaf 1980s, she had reminded people of her virtuosity by recording a ghazal album with Jagjit Singh, *Sajda*.

Asha Bhonsle, another super singer, reached out to the MTV generation with *Jaanam Samjha Karo* in 1997, and more recently, realised her dream of composing with *Aap Ki Asha* .

The success of such music should convince movie moguls to turn to class from crass.

Feroz Ahmed

BODY CARE

Scent of a Woman

A DAB OF THE RIGHT perfume can add that perfect finishing touch to a carefully selected ensemble. However, mindful of the fact that heavy fragrances can be oppressive for others around them, a growing number of women are choosing not to wear any perfume at all or only ones with very light bouquets.

TRIBHUWAN SHARMA

SUMMER SMELLS: Fragrances with lighter notes are a must for any summer wardrobe

And with summer almost around the corner, one should reach for perfumes with light, clean and fresh notes. Some of the perennial summer favourites are the upbeat Flower by Kenzo, Clinique Happy by Clinique, Miracle by Lancôme and Burberry's Tender Touch. With their fresh and zesty bouquets, these fragrances can lift your spirits.

Some of the other classic summer scents are the unisex Hermes Jardin Sur Le Nil, which has elements of green mango and lotus flower; Summer by Kenzo, which goes from smelling soapy fresh on application to the earthy smell of cut grass; Givenchy's Very Irresistible Soleil d'ete' with its aquatic notes; and Chanel's Chance Eau Fraiche, which contains refreshing citrus notes.

And although trends change every season, every woman must have a signature perfume that keeps in mind her personality and overall style.

Sumati Nagrath

Beijing's glow: The illuminated bubbles on the walls of National Aquatics Centre will add colour to the swimming event at 2008 Olympics

AP

AUTOMOBILES

Plastic surgery on cars

PLASTIC FEATURES ARE no longer the exclusive domain of girls who strut around at auto shows. New materials such as polycarbonates and carbon fibre are now becoming popular with car makers because of their strength, durability and light weight.

While green thinking is the primary motivator for using new materials to build cars, car makers have discovered that new materials also significantly improve occupant comfort and safety. And the stylish new lines also make car owners look a lot flashier.

One example of a car made from new materials is Hyundai's QarmaQ. Made from 900 recycled PET bottles, the car sports 30 new features that are all the result of new materials — unbreakable windscreens, for example.

The new-age materials are lighter, stronger, and more flexible than steel, wood or older plastics. Their flexibility allows more ergonomic and sleek designs and they also weigh less, which lower fuel consumption and emission.

There's nothing better than driving around in a car that is cheaper to make, costs less to run and is safer, more comfortable and even better looking than the competition. Who says plastic surgery was only for humans?

Pierre Mario Fitter

AERODYNAMIC CURVES: Hyundai's QarmaQ concept

SANJAY SAKARIA

BON VIVANT

Pet indulgence

BLOOMBERG

IF THIS IS A DOG'S LIFE, THEN many wouldn't mind living it. Jewelled collars and leashes, figure highlighting designer dresses, faux fur, hair colours, fluffy beds, pup carriages, designer food bowls, even shoes and hats — some dogs have it all. They even have their own fashion weeks in New York and Tokyo. MODRuff, Manfred and Doggi Dog are designer labels that are beginning to get a recognition on the lines of Armanis and Ralph Laurens, though not at their scale yet. The humanisation of pets is well and truly here.

While adults may use their pets as their lifestyle proxies, children of busy parents are increasingly seeking solace in the company of pets. *Air Bud*, the movie, has spurred many a children to demand the Rs 40,000 Golden Retriever from their parents. Socialite Paris Hilton has turned Chihuahua into a celebrity pooch — it costs about Rs 60,000 each.

If you are in a mood to indulge your pooch, pick up a Swarovski crystal-studded Manfred leather jacket for $5,000, or even a diamond-encrusted one with a ticket of $20,000 on one of your trips abroad. For the musically inclined dogs, you could pick up T-shirts with band pictures — Pup Rock offers OutKast concert T-shirts for dogs with a hip-hop preference.

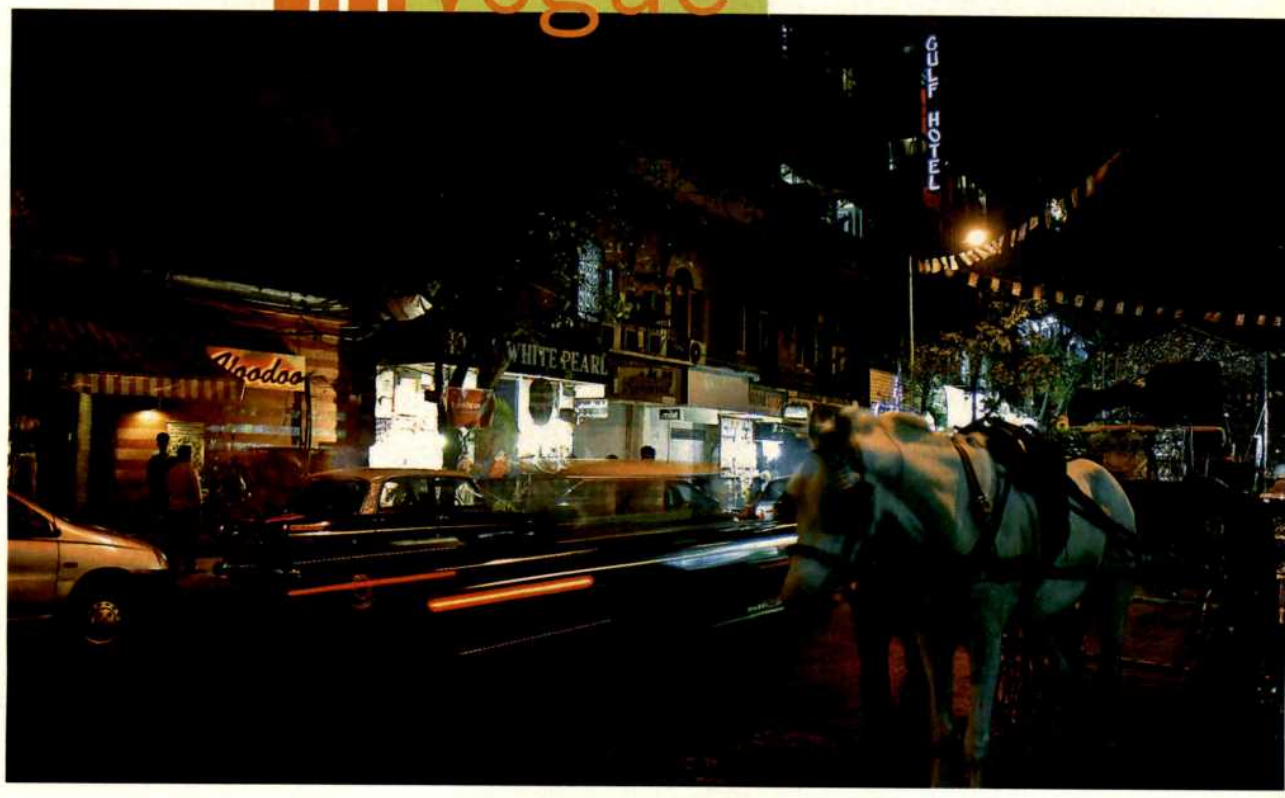
However, what would pet luxury be without pet parties. It is just as important to let them sniff the good from the ordinary and bow-wow their approval.

M. Rajendran

AP

BLOOMBERG

BLOOMBERG



SUBHABRATA DAS

LIFESTYLE

Colaba comeback

High life is seeing a revival in Colaba as it turns into a fine dining hub

BEFORE THE NIGHT CLUB AND STREET ACTION moved to Bandra, Mumbai's night life was centred around south Mumbai's Colaba Causeway. Shantaram, Gregory David Roberts' fictional character in his book of the same name, spent most of his life negotiating its labyrinths. Mumbai's first discotheque, Slip Disc, opened here in the 1970s. However, over time, this one-time bastion of bohemianism, even sleaze, has transformed into a premium drinking and dining haunt for the glitterati of south Mumbai.

During the 1970s and the 1980s, Colaba's 2-km 'action district' was dominated by an assortment of sailors, students, hippies and hookers. Sailors from the neighbouring Indira Docks descended on the all-night bars and brothels, the hippies congregated at Hotel Stiffles, hookers abounded around Blue Nile, the popular striptease joint, and college kids danced away their afternoons at Slip Disc, which used to open for business rather early to accommodate students.

In the 1980s, police closed down Blue Nile and Slip Disc was replaced by Sab Bistro, a fine-dining restaurant, which later made way for Voodoo Bar, a popular gay bar.

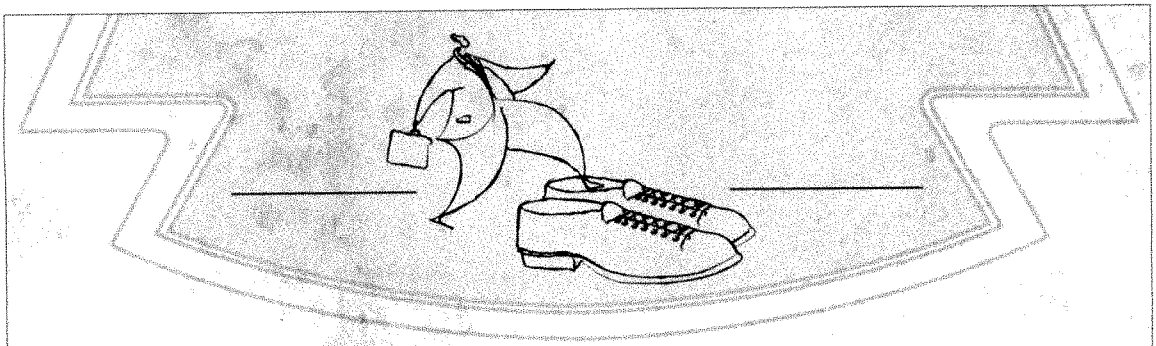
The 'attar street' of Mumbai, Azmi Street (formerly Arthur Bundar Road), which used to be the haunt of the Arabs, is now the headquarters of Samajwadi Party firebrand, Abu Azmi. His son, Farhan Azmi, runs a Mughlai food restaurant, Koyla, on the terrace of what was once seedy Hotel Gulf. The terrace overlooks the Gateway of India's waterfront, and occasionally, one can catch a glimpse of Vijay Mallya's super yacht, Indian Empress, there.

The secluded road on the waterfront, Manoo Desai Road, hosts Indage Group's premium lounge bar, Prive, and a Japanese restaurant Tetsuma. Earlier, there was a vodka bar here that hosted many a Page 3 party.

Now, Colaba has gotten over its sleaze boom, it is returning to being a lifestyle hotspot. Azmi and his ilk must ensure that a Blue Nile does not return, but a Slip Disc does.

Gurbir Singh

DINING DEN: Colaba has many fine dining restaurants now



YOU MIGHT NOT BE THE CEO.

BUT THAT WON'T STOP YOU FROM FEELING LIKE ONE.

A CEO is expected to simultaneously manage many responsibilities effectively and efficiently. At Heinz India, employees are encouraged to shoulder diverse and challenging responsibilities early in their career. Willingness and an ability to do so is something we look for in people right from recruitment.

Heinz worldwide is present in more than 200 countries with sales close to US$10 billion, a portfolio of over 4000 food products, and millions of satisfied consumers. In India, we are uniquely placed to empower our employees due to our flat structure and the independence provided by one of the most *localized* global corporations. Our international footprint also helps us develop a 'global edge' in our employees through trainings, assignments, and postings in our affiliates across Asia and around the world.

Today we are growing at twice the industry average with iconic household brands like Complan, Glucon-D, Nycil, Sampriti, and the world's favourite Heinz Ketchup.

We have a vision of becoming India's admired and fast growing Good Food & Beverage Company, and are looking for dynamic, motivated, and responsibility hungry professionals to partner us in our journey.

Interested candidates with a professional degree (e.g. Cost/Chartered Accountants, MBAs, Graduates in Engineering, Law, Food Technology) and 2-6 years of relevant FMCG experience in Sales, Distribution, Marketing, R&D, Supply Chain, Finance, HR or IT, can send us their resume at hr@in.hjheinz.com, or can courier it to: Human Resources, Heinz India Private Limited, 8th Floor, "D" Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai – 400018. Postings can be in Mumbai (our India Head Office), Aligarh (our factory), or any state capital in India (our sales offices).

Heinz good food every day

Complan Glucon-D nycil Heinz Tomato Ketchup Sampriti

Andhra Pradesh makes a giant leap

Andhra Pradesh, today, is a vibrant State taking giant strides on the path of development. A phenomenon that has never been witnessed in the last 60 years.

- In just four years, the State's Gross Domestic Product records double-digit growth, overtaking the national growth rates.
- Encouragement to farmers with free power and new crop strategies resulted in food grain production reaching an all-time high of 180 lakh tonnes during 2007-08..
- Software exports from the State surpassed the national growth rates with global giants opting for AP to develop cutting-edge solutions.
- The countryside is booming with irrigation projects taken up at an investment of Rs.100,000 crores to bring one crore acres of parched land under irrigation.
- Poor families are being provided housing – the saturation point will be achieved within three years.
- Under Rajiv Arogyasri, BPL families are being provided with free medicare upto Rs 2 lakh each while toll free numbers '108' and '104' offer free emergency medical attendance and health information, respectively.
- A university with three IIIT campuses exclusively for meritorious rural students, to enable them compete with their urban counterparts, has been established.
- The State has pioneered many rural development programs including INDIRAMMA (Integrated Development of Rural Areas and Model Municipal Areas) that aims at providing basic amenities including pucca roads, electrification, protected drinking water, flush-out toilets, schools, hospitals, anganwadis and pensions, in three years.
- The State's unique PAVALA VADDI (3 per cent interest rate) program has resulted in the upliftment of nearly 90 lakh rural women.

"Prior to 2004, the State suffered from lopsided policies for 10 years. For me, development means development of every region, every sector and every community. We are committed to restoring the status of Andhra Pradesh as the 'Rice Bowl of India' and to make it the IT hub of the world. That is why our multipronged policy envisages equal importance to IT, industry, education, health, rural development and social security," says Dr. YS Rajasekhara Reddy, Chief Minister of Andhra Pradesh.

IT growth exceeds national growth

Do you know ?

AP joined the billion dollar club by clocking software exports to the extent of Rs.18,582 crores in 2006-07 as against just Rs. 5025 crores in 2003-04. The growth rate achieved by the State during the period was 48.44% which is significantly higher than the national average of 32%. AP is all set to cross the Rs. 26,000 crores mark in software exports by March 2008 .

AP has attained the status of a pioneer in advancing the gains of IT and taking full advantage of the vast pool of skilled manpower in the State.

The measures taken by the Government in the last four years not only attracted reputed multinational IT giants including Microsoft, Oracle, Dell, Motorola, Genpat, Amazon, UBS, UTKS, Deloitte and HSBC to Hyderabad, but also promoted the establishment of ITES units in tier-2 and tier-3 cities such as Visakhapatnam and Vijayawada. A record Rs. 7000 crores' investments were made in 2007-08 alone.

As against 85,945 software engineers employed between 1998 and 2003, a record 1,01,505 IT jobs were created by 2006-07, taking the total to 1,87,450. This was possible thanks to the initiatives taken for improving the soft skills of graduates from rural and urban areas through Jawahar Knowledge Centers (JKC) promoted in almost every third educational institution at all district headquarters. The employment potential in the Sector in the next three years is expected to be 3,13,962. Besides, the Sector is expected to create indirect employment opportunities for 12 lakh persons.

The massive infrastructure program for the IT sector envisages the development of 50 million sft. infrastructure space to provide five lakh jobs through 40 IT SEZs as part of the blueprint to make AP the most preferred IT/ITES and BPO destination.

Under the Rajiv Udyogasri initiative, the State Government has taken steps for soft skill up-gradation of fresh graduates to make them employable in the IT sector. It has also entered into tie-ups with IT multinationals such as Infosys, Genpact and others, for training and upgrading individual skills of two lakh students under the Program.

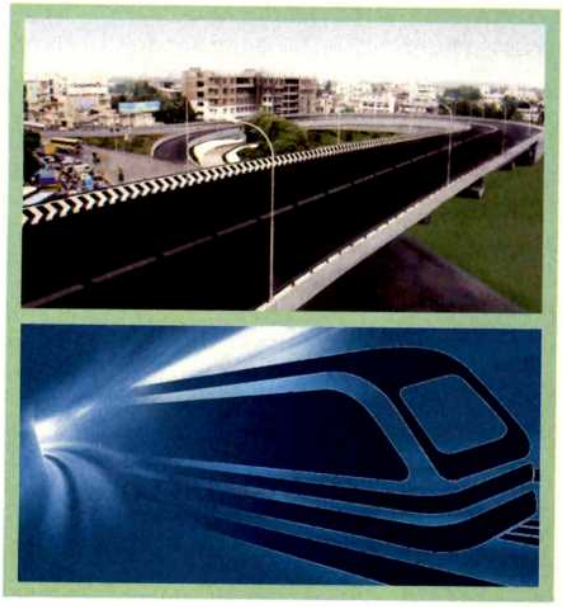
An Optic Fibre Cable (OFC) project providing broadband network with 10 gbps broadband to 40,000 government offices as well as digital services to citizens through Rajiv Internet Villages, besides facilitating E-Seva, APOnline, E-Procurement Portal and Parishkruti Call Centre for redressing public grievances, is making administration better accessible to people even from remote areas.

The IT hardware hub featuring the SEZ, Fab City, is attracting global hardware giants like Moser-Baer, AMD, INTEL and Sem-India to the State.

Explaining the reasons for emphasis on IT and ITES, Chief Minister Dr. YS Rajasekhara Reddy says, "It is my ambition to make Andhra Pradesh the IT hub of the world by providing infrastructure and developing required human resources."

Massive infrastructure glorifying AP

In a changed scenario, Hyderabad has today become the centre of a Rs. 26,257 crore (over 5 billion USD) infrastructure program including Greenfield International Airport, elevated Express Highway, MetroRail, Flyovers, Outer Ring Road, state-of-the-art Drinking Water Systems etc.



The Rajiv Gandhi International Airport is ready for inauguration by the UPA Chairperson Smt. Sonia Gandhi on March 14, 2008. The AP Government also has plans to upgrade Visakhapatnam into an international airport besides starting full-fledged operations at Rajahmundry, Kadapa, Warangal and Vijayawada.

Now Greater Hyderabad, with the merger of 12 municipalities and 600 neighbouring villages, the State Capital is poised to receive a perennial supply of Krishna waters for industrial as well as drinking needs.

Besides IT infrastructure, the Government of AP has also promoted specialised Biotech Parks – ICICI Knowledge Park and the world-class Shapoorji Pallonji Biotech Park for incubators and drug developers. An area of 600 sq. km. has been declared as GENOME VALLEY that will focus on Biotechnology institutions of excellence and attract Life Sciences research centers. Of late, Hyderabad has become the hub of clinical trials for drug discovery activities of global drug companies.

To attract the new economy trade and business units to Hyderabad and AP, the AP Government has promoted a financial district at Gacchibowli. It is home to multinational corporate houses including IRDA, Franklin Templeton and UBS.

The GoAP has also promoted Integrated Satellite IT Townships to sustain the growth of IT and to achieve holistic development around Hyderabad, Ranga Reddy, Mahboobnagar, and Medak districts. No wonder then, if Hyderabad transforms as the Singapore of the East within the next decade.

The 158 km long Outer Ring Road and the PV Narasimha Rao Express Highway, besides the GMR Hyderabad International Airport are among the significant infrastructure initiatives that are expected to change the face of Hyderabad and Andhra Pradesh.

Having promoted the Gangavaram and Krishnapatnam ports in the private sector, the Government has plans to build another port at Machilipatnam to promote maritime trade with South East Asian countries. Besides, Andhra Pradesh will soon be equipped with a Natural Gas Grid to meet the requirements of gas-based industries.

The State of Andhra Pradesh has been ranked second in the Nation, by the RBI, in attracting industrial investments. The State, with investments at an all time high of

Rs. 25,173 crores, stands next only to Gujarat. Besides, the most recent CII survey has adjudged AP as the 'Best Performing State' in the manufacturing sector among the Southern states.

AP overtakes National Growth Rate

Andhra Pradesh has done it again! It has surpassed the national average economic growth and per capita growth once again.

The Chief Minister, Dr. YS Rajasekhara Reddy, expressed satisfaction over the State achieving the unprecedented growth rate of 10.37% and clocking a spectacular GSDP of Rs. 2,29,461 crores as against the all India GDP of 8.73% at Rs. 31,14,450 crores. He informed the Legislative Assembly that the economic growth rate of Andhra Pradesh for 2007-08 was poised to reach the 11.5% - 12% mark March 2008.

Higher growth has resulted in buoyancy in revenues, which in turn has facilitated massive investments in the irrigation, infrastructure and welfare sectors. The Annual Plan Outlay of Rs.30,013 crores for 2007-08 is the highest for any State. It is escalating to Rs. 43,000 crores for 2008-09. Andhra Pradesh is indeed in a propitious growth cycle.

As per statistics available, the State achieved a per capita income of Rs. 33,970 at 14.83% in 2007-08 as against the national average of Rs. 33,131 at 11.77%.

Thanks to the State Government's financial discipline, huge capital expenditure in asset making and employment generation programs, good monsoons and encouraging agricultural production, Andhra Pradesh has been successful in reporting stellar performance levels.

Andhra Pradesh achieved a record GSDP in Agriculture, at 12.17%, despite devastating floods striking the State in the last three years and destroying standing crops.

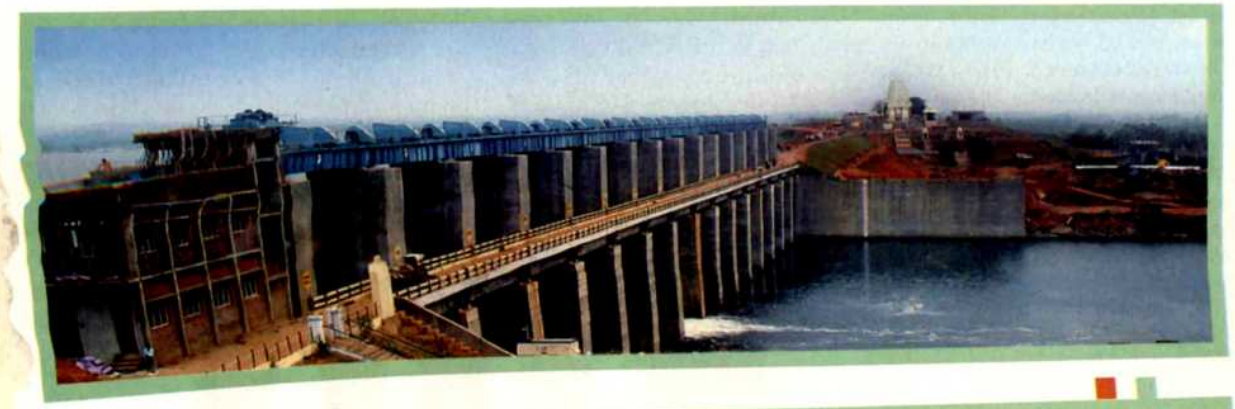
The Agriculture sector comprising of Agriculture, Livestock, Forestry & Logging and Fishing has generated Rs. 26,539 crores. The Agriculture sector recorded 21.37% growth.

The Industries Sector comprising of Mining & Quarrying, Manufacturing, Electricity, Gas & Water Supply and Construction earned a revenue of Rs. 38,872 crores as against Rs. 36,078 crores during the preceding year, and registered a growth rate of 7.74%.

The Construction Sector recorded a growth rate of 12.20% due to massive development programs taken up by the Government, namely, 'Jalayagnam' and INDIRAMMA (Integrated Development in Rural Areas and Model Municipal Areas).

The Services Sector comprising of Trade, Hotels & Restaurants, Transport and Communications, Financing, Insurance, Real Estate, Business Services and Community, Social and Personal Services registered a GSDP of Rs. 80,816 crores in 2007-08 as against the Rs. 400 crores recorded in the preceding year. The growth rate stands at a healthy 10.10%.

The Trade Sector which reflects the performance of both Agriculture and Industries has registered a growth of 8.57%. Banking and Insurance, Real Estate and Ownership of Dwellings registered a growth of 10.54% and 11.27% respectively.



The Alternative Viewpoint

by susan visvanathan

THE PRESENT AS HISTORY CRITICAL PERSPECTIVES ON GLOBAL POWER BY NERMEEN SHAIKH RAVE MEDIA, PAGES: 276; PRICE: Rs 495

THIS IS A VOLATILE SET OF INTERVIEWS CONDUCTED by a scholar who knows her authors intimately, and can get to the heart of their work on rethinking Development and Aid politics. The essays are best evaluated individually rather than collectively to highlight the intellectual vitality, the intimacy and the knowledge between the partners in dialogue.

The Present as History communicates to us what a house-holder, Laxmi Narayanan, said to me in Pallakad, Kerala, in 2007, while I was beginning my pilot study there. He said, "The interviewer should know more than the respondent, in the beginning itself." It seemed a contradiction in terms to me, the cereberality of that request, when my abysmal ignorance seemed such a block! Nermeen Shaikh, however, clearly, has mastered her material, before asking difficult questions of her respondents.

It is because of this that she engages intellectual heavyweights in a dialogue that is as revelatory as it is interesting. In his conversation, Amartya Sen locates his criticism of the World Bank and the IMF in terms of their time-bound reading, of what is good for societies, which could not, however, be seen as 'politically correct' by any of the social scientists we know.

Sanjay Reddy's preoccupation, meanwhile, is that his criticisms of the World Bank and the IMF have not been heard. What he communicates so sharply is that in the World Bank and the IMF, however nice and concerned the men at the top may be, the structure remains a constant one of America and Europe vs the enslavement of peasant and tribal societies seen through the vision of dominant cultures. Joseph Stiglitz follows up this concern with globalised responsibility, and the imperialist power of America by saying that collective action, however it is empowered across the world, is the only solution.

Shaikh gets Helena Norberg Hodge to give us an alternative view of the world. She shows us how development has meant consumption, and that, if the pull to the cities has centred around work and consumption as co-related and fixed metaphors of development, we are, as we all know, headed for catastrophe. Her argument is that media, advertising and schooling denigrate traditional world views and offer Western consumer lifestyles as the index of development.

War is what Mahmood Mamdani and Anatol Lieven chose to talk to Shaikh about. While Mamdani talks of how war and identity become linked with questions of Islamisation, and the corollary of evil that follows from it in America's reading of the 'other, Lieven describes the war policy of America as being like old imperialising traditions in colonialism. According to Lieven the mass of the people don't know about war really, the ones who go are those who see war as an occupation which will get them a salary, education, or a job removing them from the dangers of recession. What is most fearful for Mamdani, who has always been identified with his concern for reading the resilience of communities, particularly of the poor, is the targeting of children. Gil Anidjar, also the author's husband, raises interesting concerns about Jews, Christians, and Muslims in the Middle East and wonders if there is any attempt at looking at the "western Christian" discourse on the theological enemy (the Jew) and the political enemy (the Arab).

Shirin Ebadi, Lila Abu-Lughod and Saba Mahmood are all concerned about where a comparative anthropology has not served to educate the West, where too much information is provided about the cramped and confined Muslim woman, which is an artificial construction raising no question about culture and autonomy. Spivak's concerned about learning by rote as the millers' stone. But then, so much of Indian culture is folk and oral and dramatic and ritual, that one should not throw the ability to memorise, entirely away.

NERMEEN SHAIKH, has worked at the Sustainable Development Policy Institute in Islamabad and the International Institute for Environment and Development in London. She is now at the Asia Society in New York City

BROWSING
Chandra Kopparapu
Vice-President, Foundry Networks Asia-Pacific

I am reading The Age of Turbulence by ALAN GREENSPAN. Given that Greenspan has overseen the US Fed for nearly two decades, I really wanted to know more about his observations of the US and the world economy. I generally like to read books on socio-political history and contemporary economic issues and tend to pick them up based on reviews or browsing through neighbourhood bookshops.

But it is in Talal Asad's interview that we hear the real voice of modern discord. In his reading of secularism, he accepts the significance and multi-layered history of the concept, each time it unravels itself in a local and historical context, yet he cautions us to note that secularism by itself cannot promise us democracy or good government. "Modern domestic law and international private law emerged at about the same time as did secular conceptions of war" he says quite sharply, adding that liberals prefer war at a distance rather than as face to face conflict. The frightening tenor of his tone, assured within his westernisation and his comfort zone of being an accepted academic voice, makes him critical of everyone, but then in a redeeming final paragraph, he says, he hopes for the younger generation, which is so clear and optimistic about what it does. That bouquet, from a scholar, is the real essence of this book.

Susan Visvanathan is professor of Sociology at Jawaharlal Nehru University, Delhi.

SELECTION 1

It's A Soldier's Life

BORN TO DARE THE LIFE OF LT GEN INDERJIT SINGH GILL PVSM, MC BY S. MUTHIAH PENGUIN/VIKING, PAGES: 297 PRICE: RS 495

IT IS WITH AGITATED EXPECTATION THAT ONE PICKS up the biography of an Indian general who served through India's most turbulent growing years — from the 1940s right through to the 1970s. It was a busy period for the Indian Army, which fought two wars against Pakistan and one against China, besides some near-wars in Kashmir and the North-East.

One expects to get an insider's views on the strategic military thinking during the many wars of that period and the evolution of a non-political Indian Army through the story of the general. One does get it, but only sporadically and in small measures. For most part, S. Muthiah has made BORN TO DARE a biography of manners. It is a military biography that should embarrass the subject — Lt General Inderjit Singh Gill, who started as paratrooper in the British Army in World War-II and retired as the Commander of India's Western Command.

Though Muthiah presents Gill as a caricature — a golden hearted, brave, but cranky, military officer — he allows his hero occasional redemption. He has included Gill's disapproval of military officers who risk soldiers' lives in unnecessary battles to serve their personal ambitions.

Also, Muthiah has included some details of the way Indian army created, trained and deployed the rebel Mukti Bahini in East Pakistan to sap the Pakistani army's energies during the monsoon months, before launching a frontal attack in the dry winter. There are also some interesting anecdotes from Gill's life, including one of him stopping Tikka Khan, who later became the General of the Pakistan Army, from cherry picking books from Indian Military Academy when the army itself was divided in 1947.

Notwithstanding the occasional gems, a reader deserves better from a military biography.

—Feroz Ahmed

SELECTION 2

A Road Oft Travelled

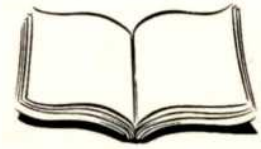
WHEN UPAMANYU CHATTERJEE wrote *English August* in 1988, he authored the definitive book on the discovery and exploration of India's rural heartland by an elite urban male. Two decades later, the IAS officer has been replaced by the IIM graduate and the humorous and humane narrative by acutely self-conscious prose in what has now become the 'MBA graduate-fictionalises experiences' genre.

In IIM GANJUNDWARA, Rohithari Rajan draws on his experiences of having worked on Hindustan Lever's Project Shakti to create a fictional narrative about two IIM-Ahmedabad graduates (the author's own Alma Mater) who are sent to a remote village as part of their company's rural initiative. As Rajan tells the story of the protagonist (whose name we never learn) and his colleague Shyam, he often does to the Indian village, what the diasporic writer does to urban India — over explains it. Nonetheless, the reader gets involved as Shyam and the narrator traverse their way through unfamiliar, and often challenging, territory of rural India with, at times, surprising results.

As a first book, it shows promise, but nothing sets it apart from any of the other books authored by various IIM graduates (no doubt spurred, in part, by the success of Chetan Bhagat's *Five Point Someone*) in the past couple of years. Despite these shortcomings, it is worth a read, because with its underlying sense of optimism about India's future, the book has a heart.

—Sumati Nagrath

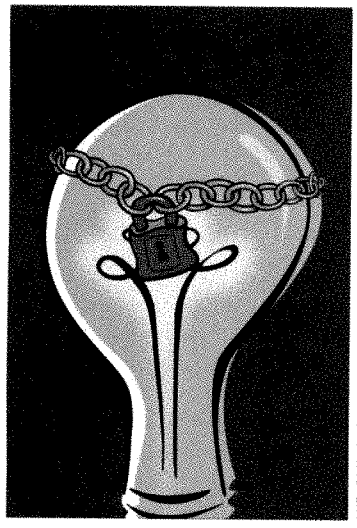
ALERT



BIOGRAPHY OF THE DOLLAR: HOW THE MIGHTY BUCK CONQUERED THE WORLD AND WHY IT'S UNDER SIEGE
BY CRAIG KARMIN
CROWN BUSINESS
This book, which comes at a time when the exchange rates for the dollar are at an all time low, tells the story of how the greenback became the first truly global currency. In this rather fun and, at times, slightly superficial biography, the author retraces the history of the dollar — its rise, valuation, manipulation and current position. The book also takes interesting side roads to recount stories such as that of Ecuador, which, in 2000, abandoned its own hyper-inflated currency to adopt the dollar as its only legal tender.

Patent Track Changes

THE US PATENT ACT IS AMONGST THE OLDEST; IT IS also one most favourable to patentors. It has done much to support the US pharmaceutical and chemical firms in inventing and winning markets abroad. But it is also a rather outdated act. It is soon to be refurbished. An amendment (HR 2795), which began its legislative journey in June 2005, is close to enactment. It would certainly be of interest to Indian companies, especially in pharmaceuticals, that patent abroad or do research for foreign companies; but some of its provisions may also affect our more technology-intensive producers here.



ANTHONY LAWRENCE

The US Patent Act was always friendly to the patentor; the amendment will make it easier to contest patents, and reduce subjectivity

Till now, a patent application could be submitted only by the inventor. This was an inconvenience for Indian companies, which had to have a representative or engage a legal firm in the US to file. Now the US will adopt a provision common elsewhere — that an "assignee" will also be able to apply. So an Indian company will be able to get a patent through a licensee or an assignee.

A problem all patent offices face is that someone may file for a patent and someone else may come along to claim that it was his invention. The way most patent offices deal with this problem is that they give the patent to whomever files first; if an inventor fails to file for a patent and someone else does, that is the inventor's bad luck. The US patent office has hitherto treated conflicting claims seriously and spent much energy in determining who was the real inventor. Now the US will go the way of the rest of the world and give priority to the first filer; but the inventor's right to contest will be retained in a more truncated form. Filing for a patent for someone else's invention will continue to be prohibited.

If someone made an invention and someone else filed and patented it, the real inventor could be sued for breach of patent. Some countries protect such inventors from being sued. Some others say that an inventor must file for a patent within a year of the invention; if he takes longer and continues to use the invention, he may be liable to prosecution for breach of patent of someone who patents his invention. The US is likely to introduce absolute protection for first inventors; they would not be sued for breach of patent as long as they could prov they were the first to invent.

Examining a patent application to make su it involves fresh, patentable knowledge, is labo rious work; most patent offices take their tin to examine applications. To prevent similar a plications from being made in the meanwhil most patent offices publish applications 1 months after they are received if they have n yet been given a patent. Till 2000, the U patent office did not publish any application Then it started publishing applications for in ventions in conducting or managing business which in any case are very few. Now it will star publishing all applications after 18 months, lik other patent offices. It will also make it easier t contest applications after they are publishe (but before they are granted a patent).

An invention can also be challenged after it i patented — even by the same contestant. If h did so, US law till now required that in a secon challenge, the contestant could not raise the ar guments he had used or could have used in th first. "Could have used" is pretty vague; it will b removed now.

Legal provisions that require the patent offic or a court to make a subjective judgment plac an excessive burden upon it, make it more likel that it would make an error, increase uncer tainty and encourage litigation in the hope o getting the subjective opinion reversed. Th new law will remove a number of contingencies under which the patent office was required t make a subjective judgment. The inventor would no longer be required to set forth the best mode of the invention. The present law imposes treble damages for "wilful' infringement; the new law will impose them only if the plaintif has notified the defendant and the defendan has continued to infringe the patent. A defen dant in a suit could till now argue that th patentor had not operated honestly and in goo faith when he filed for the patent. The new la will require all parties to operate honestly an in good faith, which will henceforth be assume unless it can be disproved. In other words, it w no longer for defendant to allege absence honesty and good faith and for the patent offic to investigate; the defendant will now have t prove it. Some of the amendments are n straightforward. But on the whole, they wi make U S law clearer, and reduce the number o cases ending up in courts.

Our solutions exceed every expectation. Just anywhere in the world.

Everything about Crompton Greaves is world class. Whether it is manufacturing processes, R&D or QC. Our acquisitions too have given us access to the infrastructure and technology of leaders like Pauwels, Ganz and Microsol. These have made us one of the single largest sources for a variety of electrical solutions.

www.cglonline.com

70 YEARS
At home, across the world.

Crompton Greaves
EVERYDAY SOLUTIONS

Transformers • Switchgear • Power Quality • Motors & Alternators • Drives • Railway Signalling • Fans & Appliances • Lights • Pumps

AMC/CG/10-07/03

Your potential. Our passion.
Microsoft
Microsoft
Visual Studio
SATISFY EVERYONE. COMPROMISE NOTHING.
NEW VISUAL STUDIO 2008.
Your challenge: build better apps for the desktop, the Web, the deadline. Defy it: with tools that crunch time, maximise experience, and deliver the goods. More tips and tools at microsoft.com/india/defyallchallenges
DEFY ALL CHALLENGES
McCann/MSFT/36/08
SSRM/KOL RMS/WB/RNP-233-2007-09 & SSRM/KOL/RMS/WB/RNP-233/FGN-19/2007-09, LICENSED TO POST WITHOUT PREPAY
MM&PO/SSRM-KOL RMS/WB/RNP-233/LPWP-28/2007-09 MM&PO/SSRM-KOL RMS/WB/RNP-233/FGN-19/LPWP-FGN-29/2007-09 RNI NO. 3984